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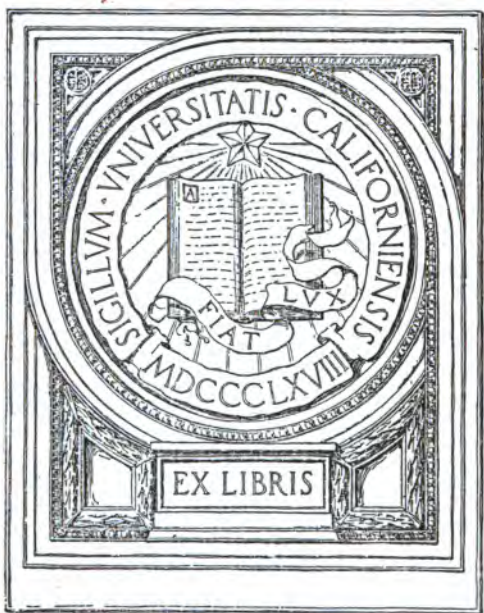
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John J. Jones Jr.



**A
SINGLE TAX
HANDBOOK**

FOR

1913

BY

C. B. FILLEBROWN

NEW YORK

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TO THE
ALBANY

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PREFATORY NOTE

THIS brief compendium is designed to help both student and general reader to an apprehension, first of all, of those fundamental principles of taxation that must govern in any system, and secondarily, to an understanding of the incidence of taxes upon land values as scientifically deducible from these universal principles.

Voluminous as are the pages of "Progress and Poverty," in the brief chapters of Book VIII. is epitomized, in all its completeness, Mr. George's great remedial plan for ceasing to do evil that good may come. The statement of Fr. McGlynn, moulded as from a crucible into perfect moral form and beauty, has about it the sanctity and immortality of his cherished goal—the pursuit of "Life, Liberty and Happiness." Mr. Shearman's "Natural Taxation," as the natural complement of "Progress and Poverty," is the practical application of a moral principle to economics. In reading the latter one is overmastered by a prophetic sense of things as they ought to be. Reading the other, one becomes engrossed in a system of taxation so natural and so perfect that no sense of need is felt for any appeal to the moral law. In the "A, B and C of Taxation" is attempted the explanation and amplification of potential economic principles of which all scientific systems of taxation can be but the permutations and combinations. Incidentally there is attempted under the caption of Achievements, an exhibit

PREFATORY NOTE.

for 1913 of the things so far accomplished, which invites and gives promise of possible future enlargement and perfection from year to year.

The aim of the Handbook is to afford, as it were, a bird's eye view of the broad economic landscape preparatory to the study of its features in more detail.

C. B. FILLEBROWN.

BOSTON, December 1, 1912.

CHAPTER I.

ADAM SMITH AND JOHN STUART MILL.

ADAM SMITH

EXTRACT FROM WEALTH OF NATIONS (1776) BOOK V, CHAPTER II,
PART II, ARTICLE I.

Ground-rents are a still more proper subject of taxation than the rent of houses. A tax upon ground-rents would not raise the rents of houses. It would fall altogether upon the owner of the ground-rent, who acts always as a monopolist, and exacts the greatest rent which can be got for the use of his ground. More or less can be got for it according as the competitors happen to be richer or poorer, or can afford to gratify their fancy for a particular spot of ground at a greater or smaller expense. In every country the greatest number of rich competitors is in the capital, and it is there accordingly that the highest ground-rents are always to be found. As the wealth of those competitors would in no respect be increased by a tax upon ground-rents, they would not probably be disposed to pay more for the use of the ground. Whether the tax was to be advanced by the inhabitant, or by the owner of the ground, would be of little importance. The more the inhabitant was obliged to pay for the tax, the less he would incline to pay for the ground; so that the final payment of the tax would fall altogether upon the

owner of the ground-rent. The ground-rents of uninhabited houses ought to pay no tax.

Both ground-rents and the ordinary rent of land are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own. Though a part of this revenue should be taken from him in order to defray the expenses of the state, no discouragement will thereby be given to any sort of industry. The annual produce of the land and labor of the society, the real wealth and revenue of the great body of the people, might be the same after such a tax as before. Ground-rents and the ordinary rent of land are, therefore, perhaps, the species of revenue which can best bear to have a peculiar tax imposed upon them.

Ground-rents seem, in this respect, a more proper subject of peculiar taxation than even the ordinary rent of land. The ordinary rent of land is, in many cases, owing partly at least to the attention and good management of the landlord. A very heavy tax might discourage too much this attention and good management. Ground-rents, so far as they exceed the ordinary rent of land, are altogether owing to the good government of the sovereign, which, by protecting the industry either of the whole people, or of the inhabitants of some particular place, enables them to pay so much more than its real value for the ground which they build their houses upon; or to make to its owner so much more than compensation for the loss which he might sustain by this use of it. Nothing can be more reasonable than that a fund which owes its existence to the good government of the state should be taxed peculiarly, or should contribute something more than

the greater part of other funds, towards the support of that government.

JOHN STUART MILL.

EXTRACT FROM PRINCIPLES OF POLITICAL ECONOMY (1848) BOOK V,
CHAPTER II, SECTIONS 5 AND 6.

§ 5. Before leaving the subject of Equality of Taxation, I must remark that there are cases in which exceptions may be made to it, consistently with that equal justice which is the groundwork of the rule. Suppose that there is a kind of income which constantly tends to increase, without any exertion or sacrifice on the part of the owners: those owners constituting a class in the community, whom the natural course of things progressively enriches, consistently with complete passiveness on their own part. In such a case it would be no violation of the principles on which private property is grounded, if the state should appropriate this increase of wealth, or part of it, as it arises. This would not properly be taking anything from anybody; it would merely be applying an accession of wealth, created by circumstances, to the benefit of society, instead of allowing it to become an unearned appendage to the riches of a particular class. ✓

Now this is actually the case with rent. The ordinary progress of a society which increases in wealth, is at all times tending to augment the incomes of land-

lords; to give them both a greater amount and a greater proportion of the wealth of the community, independently of any trouble or outlay incurred by themselves. They grow richer, as it were in their sleep, without working, risking, or economizing. What claim have they, on the general principle of social justice, to this accession of riches? In what would they have been wronged if society had, from the beginning, reserved the right of taxing the spontaneous increase of rent, to the highest amount required by financial exigencies? I admit that it would be unjust to come upon each individual estate, and lay hold of the increase which might be found to have taken place in its rental; because there would be no means of distinguishing in individual cases, between an increase owing solely to the general circumstances of society, and one which was the effect of skill and expenditure on the part of the proprietor. The only admissible mode of proceeding would be by a general measure. The first step ~~should be a valuation of all the land in the country.~~ The present value of all land should be exempt from the tax; but after an interval had elapsed, during which society had increased in population and capital, a rough estimate might be made of the spontaneous increase which had accrued to rent since the valuation was made. Of this the average price of produce would be some criterion; if that had risen, it would be certain that rent had increased, and (as already shown) even in a greater ratio than the rise of price. On this and other data, an approximate estimate might be made, how much value had been added to the land of the country by natural causes; and in laying on a gen-

eral land-tax, which for fear of miscalculation should be considerably within the amount thus indicated, there would be an assurance of not touching any increase of income which might be the result of capital expended or industry exerted by the proprietor.

But though there could be no question as to the justice of taxing the increase of rent, if society had avowedly reserved the right, has not society waved that right, by not exercising it? In England, for example, have not all who bought land for the last century or more, given value not only for the existing income, but for the prospects of increase, under an implied assurance of being only taxed in the same proportion with other incomes? This objection, in so far as valid, has a different degree of validity in different countries; depending on the degree of desuetude into which society has allowed a right to fall, which, no one can doubt, it once fully possessed. In countries of Europe, the right to take by taxation, as exigency might require, an indefinite portion of the rent of land, has never been allowed to slumber. In several parts of the Continent the land-tax forms a large proportion of the public revenues, and has always been confessedly liable to be raised or lowered without reference to other taxes. In these countries no one can pretend to have become the owner of land on the faith of never being called upon to pay an increased land-tax. In England the land-tax has not varied since the early part of the last century. The last act of the Legislature in relation to its amount, was to diminish it; and though the subsequent increase in the rental of the country has been immense, not only from agriculture,

but from the growth of towns and the increase of buildings, the ascendancy of landholders in the legislature has prevented any tax from being imposed, as it so justly might have been, upon the very large portion of this increase which was unearned, and, as it were, accidental. For the expectations thus raised, it appears to me that an amply sufficient allowance is made, if the whole increase of income which has accrued during this long period from a mere natural law, without exertion or sacrifice, is held sacred from any peculiar taxation. From the present date, or any subsequent time at which the legislature may think fit to assert the principle, I see no objection to declaring that the future increment of rent should be liable to special taxation; in doing which all injustice to the landlords would be obviated, if the present market-price of their land were secured to them, since that includes the present value of all future expectations. With reference to such a tax, perhaps a safer criterion than either a rise of rents or a rise of the price of corn, would be a general rise in the price of land. It would be easy to keep the tax within the amount which would reduce the market-value of land below the original valuation: and up to that point, whatever the amount of the tax might be, no injustice would be done to the proprietors.

§ 6. But whatever may be thought of the legitimacy of making the State a sharer in all future increase of rent from natural causes, the existing land-tax (which in this country unfortunately is very small) ought not to be regarded as a tax, but as a rent-charge in favor of the public; a portion of the rent, reserved from the beginning by the State, which has never belonged to

or formed part of the income of the landlords, and should not therefore be counted to them as part of their taxation, so as to exempt them from their fair share of every other tax. As well might the tithe be regarded as a tax on the landlords: as well, in Bengal, where the State, though entitled to the whole rent of the land, gave away ~~one-tenth~~ of it to individuals, retaining the other nine-tenths, might those nine-tenths be considered as an unequal and unjust tax on the grantees of the tenth. That a person owns part of the rent, does not make the rest of it his just right, injuriously withheld from him. The landlords originally held their estates subject to feudal burdens, for which the present land-tax is an exceedingly small equivalent, and for their relief from which they should have been required to pay a much higher price. All who have bought land since the tax existed have bought it subject to the tax. There is not the smallest pretence for looking upon it as a payment exacted from the existing race of landlords.

CHAPTER II.

HENRY GEORGE.

EXTRACTS FROM PROGRESS AND POVERTY, BOOK VIII, CHAPTERS II
AND III, APPLICATION OF THE REMEDY.

HOW EQUAL RIGHTS TO THE LAND MAY BE ASSERTED AND SECURED.

We have traced the want and suffering that everywhere prevail among the working classes, the recurring paroxysms of industrial depression, the scarcity of employment, the stagnation of capital, the tendency of wages to the starvation point, that exhibit themselves more and more strongly as material progress goes on, to the fact that the land on which and from which all must live is made the exclusive property of some.

We have seen that there is no possible remedy for these evils but the abolition of their cause; we have seen that private property in land has no warrant in justice, but stands condemned as the denial of natural right—a subversion of the law of nature that as social development goes on must condemn the masses of men to a slavery the hardest and most degrading.

✓ We have weighed every objection, and seen that neither on the ground of equity or expediency is there anything to deter us from making land common property by confiscating rent.

But a question of method remains. How shall we do it?

We should satisfy the law of justice, we should meet all economic requirements, by at one stroke abolishing all private titles, declaring all land public property, and letting it out to the highest bidders in lots to suit, under such conditions as would sacredly guard the private right to improvements.

Thus we should secure, in a more complex state of society, the same equality of rights that in a ruder state were secured by equal partitions of the soil, and by giving the use of the land to whoever could procure the most from it, we should secure the greatest production.

Such a plan, instead of being a wild, impracticable vagary, has (with the exception that he suggests compensation to the present holders of land—undoubtedly a careless concession which he upon reflection would reconsider) been indorsed by no less eminent a thinker than Herbert Spencer who ("Social Statics," Chap. IX., Sec. 8) says of it:

"Such a doctrine is consistent with the highest state of civilization; may be carried out without involving a community of goods, and need cause no very serious revolution in existing arrangements. The change required would simply be a change of landlords. Separate ownership would merge into the joint-stock ownership of the public. Instead of being in the possession of individuals, the country would be held by the great corporate body—society. Instead of leasing his acres from an isolated proprietor, the farmer would lease them from the nation. Instead of paying his rent to the agent of Sir John or his Grace, he would pay it to an agent or deputy agent of the community. Stewards would be public

officials instead of private ones, and tenancy the only land tenure. A state of things so ordered would be in perfect harmony with the moral law. Under it all men would be equally landlords, all men would be alike free to become tenants. * * * Clearly, therefore, on such a system, the earth might be enclosed, occupied and cultivated, in entire subordination to the law of equal freedom."

But such a plan, though perfectly feasible, does not seem to me the best. Or rather I propose to accomplish the same thing in a simpler, easier, and quieter way, than that of formally confiscating all the land and formally letting it out to the highest bidders.

To do that would involve a needless shock to present customs and habits of thought—which is to be avoided.

To do that would involve a needless extension of governmental machinery—which is to be avoided.

It is an axiom of statesmanship, which the successful founders of tyranny have understood and acted upon—that great changes can best be brought about under old forms. We, who would free men, should heed the same truth. It is the natural method. When nature would make a higher type, she takes a lower one and develops it. This, also, is the law of social growth. Let us work by it. With the current we may glide fast and far. Against it, it is hard pulling and slow progress.

I do not propose either to purchase or to confiscate private property in land. The first would be unjust; the second, needless. Let the individuals who now hold it still retain, if they want to, possession of what they are pleased to call *their* land. Let them continue

to call it *their* land. Let them buy and sell, and bequeath and devise it. We may safely leave them the shell, if we take the kernel. *It is not necessary to confiscate land; it is only necessary to confiscate rent.*

Nor to take rent for public uses is it necessary that the State should bother with the letting of lands, and assume the chances of the favoritism, collusion, and corruption this might involve. It is not necessary that any new machinery should be created. The machinery already exists. Instead of extending it, all we have to do is to simplify and reduce it. By leaving to land owners a percentage of rent which would probably be much less than the cost and loss involved in attempting to rent lands through State agency, and by making use of this existing machinery, we may, without jar or shock, assert the common right to land by taking rent for public uses.

We already take some rent in taxation. We have only to make some changes in our modes of taxation to take it all.*

What I, therefore, propose, as the simple yet sovereign remedy, which will raise wages, increase the earnings of capital, extirpate pauperism, abolish poverty, give remunerative employment to whoever wishes it, afford free scope to human powers, lessen crime, elevate morals, and taste, and intelligence, purify gov-

*"How close it might be possible finally to come to the point of theoretical perfection, or whether it would be best to leave such a margin as would give a small selling value, are matters which, like other questions of detail, it is not now necessary to discuss. But in thinking of details it should be remembered that we cannot get to the single tax at one leap, but only by gradual steps, which will bring experience to the settlement of details."—Henry George in *Century Magazine*, July, 1890, p. 401.

ernment and carry civilization to yet nobler heights, is
*—to appropriate rent by taxation.**

In this way the State may become the universal land-lord without calling herself so, and without assuming a single new function. In form, the ownership of land would remain just as now. No owner of land need be dispossessed, and no restriction need be placed upon the amount of land anyone could hold. For, rent being taken by the State in taxes, land, no matter in whose name it stood, or in what parcels it was held, would be really common property, and every member of the community would participate in the advantages of its ownership.

Now, insomuch as the taxation of rent, or land values, must necessarily be increased just as we abolish other taxes, we may put the proposition into practical form by proposing—

. To abolish all taxation save that upon land values.

. As we have seen, the value of land is at the beginning of society nothing, but as society develops by the increase of population and the advance of the arts, it becomes greater and greater. In every civilized country, even the newest, the value of the land taken as a whole is sufficient to bear the entire expenses of gov-

*"And I would like those who are thinking of single tax as springing on unsuspecting land-owners like a tiger from ambush to know, that much as we single tax men would like to have it go into force to-morrow morning, we realize the certainty that we cannot be gratified. We can only accomplish the change we seek by the slow process of educating men to demand it. In the very nature of things it can only come slowly and step by step. We do not delude ourselves on that point, and never have."—Henry George, in "Saratoga Single Tax Discussion," 1890, p. 78.

ernment. In the better developed countries it is much more than sufficient. Hence it will not be enough merely to place all taxes upon the value of land. It will be necessary, where rent exceeds the present governmental revenues, commensurately to increase the amount demanded in taxation, and to continue this increase as society progresses and rent advances. But this is so natural and easy a matter, that it may be considered as involved, or at least understood, in the proposition to put all taxes on the value of land. That is the first step, upon which the practical struggle must be made. When the hare is once caught and killed, cooking him will follow as a matter of course. When the common right to land is so far appreciated that all taxes are abolished save those which fall upon rent, there is no danger of much more than is necessary to induce them to collect the public revenues being left to individual landholders.

Experience has taught me (for I have been for some years endeavoring to popularize this proposition) that wherever the idea of concentrating all taxation upon land values finds lodgment sufficient to induce consideration, it invariably makes way, but that there are few of the classes most to be benefited by it, who at first, or even for a long time afterward, see its full significance and power. It is difficult for workingmen to get over the idea that there is a real antagonism between capital and labor. It is difficult for small farmers and homestead owners to get over the idea that to put all taxes on the value of land would be unduly to tax them. It is difficult for both classes to get over the idea that to exempt capital from taxation would be to make the

rich richer, and the poor poorer. These ideas spring from confused thought. But behind ignorance and prejudice there is a powerful interest, which has hitherto dominated literature, education and opinion. A great wrong always dies hard, and the great wrong which in every civilized country condemns the masses of men to poverty and want, will not die without a bitter struggle.

I do not think the ideas of which I speak can be entertained by the reader who has followed me thus far; but inasmuch as any popular discussion must deal with the concrete, rather than with the abstract, let me ask him to follow me somewhat further, that we may try the remedy I have proposed by the accepted canons of taxation. In doing so, many incidental bearings may be seen that otherwise might escape notice.

THE PROPOSITION TRIED BY THE CANONS OF TAXATION.

The best tax by which public revenues can be raised is evidently that which will closest conform to the following conditions:

1. That it bear as lightly as possible upon production—so as least to check the increase of the general fund from which taxes must be paid and the community maintained.

2. That it be easily and cheaply collected, and fall as directly as may be upon the ultimate payers—so as to take from the people as little as possible in addition to what it yields the government.

3. That it be certain—so as to give the least opportunity for tyranny or corruption on the part of officials, and the least temptation to law-breaking and evasion on the part of the taxpayers.

4. That it bear equally—so as to give no citizen an advantage or put any at a disadvantage, as compared with others.

Let us consider what form of taxation best accords with these conditions. Whatever it be, that evidently will be the best mode in which the public revenues can be raised.

I.—The Effect of Taxes Upon Production.

All taxes must evidently come from the produce of land and labor, since there is no other source of wealth than the union of human exertion with the material and forces of nature. But the manner in which equal amounts of taxation may be imposed may very differently affect the production of wealth. Taxation which lessens the reward of the producer necessarily lessens the incentive to production; taxation which is conditioned upon the act of production, or the use of any of the three factors of production, necessarily discourages production. Thus taxation which diminishes the earnings of the laborer or the returns of the capitalist tends to render the one less industrious and intelligent, the other less disposed to save and invest. Taxation which falls upon the processes of production interposes an artificial obstacle to the creation of wealth. Taxation which falls upon labor as it is exerted, wealth as it is used as capital, and as it is culti-

vated, will manifestly tend to discourage production much more powerfully than taxation to the same amount levied upon laborers, whether they work or play, upon wealth whether used productively or unproductively, or upon land whether cultivated or left waste.

The mode of taxation is, in fact, quite as important as the amount. As a small burden badly placed may distress a horse that could carry with ease a much larger one properly adjusted, so a people may be impoverished and their power of producing wealth destroyed by taxation, which, if levied in another way, could be borne with ease. A tax on date-trees, imposed by Mohammed Ali, caused the Egyptian fellahs to cut down their trees; but a tax of twice the amount imposed on the land produced no such result. The tax of ten per cent. on all sales, imposed by the Duke of Alva in the Netherlands, would, had it been maintained, have all but stopped exchange while yielding but little revenue.

But we need not go abroad for illustrations. The production of wealth in the United States is largely lessened by taxation which bears upon its processes. Ship-building in which we excelled, has been all but destroyed, so far as the foreign trade is concerned, and many branches of production and exchange seriously crippled, by taxes which divert industry from more to less productive forms.

This checking of production is in greater or less degree characteristic of most of the taxes by which the revenues of modern governments are raised. All taxes upon manufactures, all taxes upon commerce, all taxes

upon capital, all taxes upon improvements, are of this kind. Their tendency is the same as that of Mohammed Ali's tax on date-trees, though their effect may not be so clearly seen.

All such taxes have a tendency to reduce the production of wealth, and should, therefore, never be resorted to when it is possible to raise money by taxes which do not check production. This becomes possible as society develops and wealth accumulates. Taxes which fall upon ostentation would simply turn into the public treasury what otherwise would be wasted in vain show for the sake of show; and taxes upon wills and devises of the rich would probably have little effect in checking the desire for accumulation, which, after it has fairly got hold of a man, becomes a blind passion. But the great class of taxes from which revenue may be derived without interference with production are taxes upon monopolies—for the profit of monopoly is in itself a tax levied upon production, and to tax it is simply to divert into the public coffers what production must in any event pay.

There are among us various sorts of monopolies. For instance, there are the temporary monopolies created by the patent and copyright laws. These it would be extremely unjust and unwise to tax, inasmuch as they are but recognitions of the right of labor to its intangible productions, and constitute a reward held out to invention and authorship.* There are also the

*Following the habit of confounding the exclusive right granted by a patent and that granted by a copyright as recognitions of the right of labor to its intangible productions, I in this fell into error, which I subsequently acknowledged and corrected in the "Standard" of June 23, 1888. The two things are

onerous monopolies alluded to in Chapter IV of Book III, which result from the aggregation of capital in businesses which are of the nature of monopolies. But while it would be extremely difficult, if not altogether impossible, to levy taxes by general law so that they would fall exclusively on the returns of such monopoly and not become taxes on production or exchange, it is much better that these monopolies should be abolished. In large part they spring from legislative commission or omission, as, for instance, the ultimate reason that San Francisco merchants are compelled to pay more

not alike, but essentially different. The copyright is not a right to the exclusive use of a fact, an idea, or a combination, which by the natural law of property all are free to use; but only to the labor expended in the thing itself. It does not prevent anyone from using for himself the facts, the knowledge, the laws or combinations for a similar production, but only from using the identical form of the particular book or other production—the actual labor which has in short been expended in producing it. It rests therefore upon the natural, moral right of each one to enjoy the products of his own exertion, and involves no interference with the similar right of anyone else to do likewise.

The patent, on the other hand, prohibits anyone from doing a similar thing, and involves, usually for a specified time, an interference with the equal liberty on which the right of ownership rests. The copyright is therefore in accordance with the moral law—it gives to the man who has expended the intangible labor required to write a particular book or paint a picture security against the copying of that identical thing. The patent is in defiance of this natural right. It prohibits others from doing what has been already attempted. Everyone has a moral right to think what I think, or to perceive what I perceive, or to do what I do—no matter whether he gets the hint from me or independently of me. Discovery can give no right of ownership, for whatever is discovered must have been already here to be discovered. If a man make a wheelbarrow, or a book, or a picture, he has a moral right to that particular wheelbarrow, or book, or picture, but no right to ask that others be prevented from making similar things. Such a prohibition, though given for the purpose of stimulating discovery and invention, really in the long run operates as a check upon them.

for goods sent direct from New York to San Francisco by the Isthmus route than it costs to ship them from New York to Liverpool or Southampton and thence to San Francisco, is to be found in the "protective" laws which make it so costly to build American steamers and which forbid foreign steamers to carry goods between American ports. The reason that residents of Nevada are compelled to pay as much freight from the East as though their goods were carried to San Francisco and back again, is that the authority which prevents extortion on the part of a hack driver is not exercised in respect to a railroad company. And it may be said generally that businesses which are in their nature monopolies are properly part of the functions of the State, and should be assumed by the State. There is the same reason why Government should carry telegraphic messages as that it should carry letters; that railroads should belong to the public as that common roads should.

But all other monopolies are trivial in extent as compared with the monopoly of land. And the value of land expressing a monopoly, pure and simple, is in every respect fitted for taxation. That is to say, while the value of a railroad or telegraph line, the price of gas or of a patent medicine, may express the price of monopoly, it also expresses the exertion of labor and capital; but the value of land, or economic rent, as we have seen, is in no part made up from these factors, and expresses nothing but the advantage of appropriation. Taxes levied upon the value of land cannot check production in the slightest degree, until they exceed rent, or the value of land taken annually, for

unlike taxes upon commodities, or exchange, or capital, or any of the tools or processes of production, they do not bear upon production. The value of land does not express the reward of production, as does the value of crops, of cattle, of buildings, or any of the things which are styled personal property and improvements. It expresses the exchange value of monopoly. It is not in any case the creation of the individual who owns the land; it is created by the growth of the community. Hence the community can take it all without in any way lessening the incentive to improvement or in the slightest degree lessening the production of wealth. Taxes may be imposed upon the value of land until all rent is taken by the State, without reducing the wages of labor or the reward of capital one iota; without increasing the price of a single commodity, or making production in any way more difficult.

But more than this. Taxes on the value of land not only do not check production as do most other taxes, but they tend to increase production by destroying speculative rent. How speculative rent checks production may be seen not only in the valuable land withheld from use, but in the paroxysms of industrial depression which, originating in the speculative advance in land values, propagate themselves over the whole civilized world, everywhere paralyzing industry, and causing more waste and probably more suffering than would a general war. Taxation which would take rent for public uses would prevent all this; while if land were taxed to anything near its rental value, no one could afford to hold land that he was not using, and, consequently, land not in use would be thrown open to those

who would use it. Settlement would be closer, and, consequently, labor and capital would be enabled to produce much more with the same exertion. The dog in the manger who, in this country especially, so wastes productive power, would be choked off.

There is yet an even more important way by which, through its effect upon distribution, the taking of rent to public uses by taxation would stimulate the production of wealth. But reference to that may be reserved. It is sufficiently evident that with regard to production, the tax upon the value of land is the best tax that can be imposed. Tax manufactures, and the effect is to check manufacturing; tax improvements, and the effect is to lessen improvement; tax commerce, and the effect is to prevent exchange; tax capital, and the effect is to drive it away. But the whole value of land may be taken in taxation, and the only effect will be to stimulate industry, to open new opportunities to capital, and to increase the production of wealth.

II.—As to Ease and Cheapness of Collection.

With, perhaps, the exception of certain licenses and stamp duties, which may be made almost to collect themselves, but which can be relied on for only a trivial amount of revenue, a tax upon land values can, of all taxes be most easily and cheaply collected. For land cannot be hidden or carried off; its value can be readily ascertained, and the assessment once made, nothing but a receiver is required for collection.

And as under all fiscal systems some part of the public revenues is collected from taxes on land, and the

machinery for that purpose already exists and could as well be made to collect all as a part, the cost of collecting the revenue now obtained by other taxes might be entirely saved by substituting the tax on land values for all other taxes. What an enormous saving might thus be made can be inferred from the horde of officials now engaged in collecting these taxes.

This saving would largely reduce the difference between what taxation now costs the people and what it yields, but the substitution of a tax on land values for all other taxes would operate to reduce this difference in an even more important way.

A tax on land values does not add to prices, and is thus paid directly by the persons on whom it falls; whereas, all taxes upon things of unfixed quantity increase prices, and in the course of exchange are shifted from seller to buyer, increasing as they go. If we impose a tax upon money loaned as has been often attempted, the lender will charge the tax to the borrower, and the borrower must pay it or not obtain the loan. If the borrower uses it in his business, he in his turn must get back the tax from his customers, or his business becomes unprofitable. If we impose a tax upon buildings, the users of buildings must finally pay it, for the erection of buildings will cease until building rents become high enough to pay the regular profit and the tax besides. If we impose a tax upon manufactures or imported goods, the manufacturer or importer will charge it in a higher price to the jobber, the jobber to the retailer, and the retailer to the consumer. Now, the consumer, on whom the tax thus ultimately falls, must not only pay the amount of the tax, but also a

profit on this amount to every one who has thus advanced it—for profit on the capital he has advanced in paying taxes is as much required by each dealer as profit on the capital he has advanced in paying for goods. Manila cigars cost, when bought of the importer in San Francisco, \$70 a thousand, of which \$14 is the cost of the cigars laid down in this port and \$56 is the customs duty. But the dealer who purchases these cigars to sell again must charge a profit, not on \$14, the real cost of the cigars, but on \$70, the cost of the cigars plus the duty. In this way all taxes which add to prices are shifted from hand to hand, increasing as they go, until they ultimately rest upon consumers, who thus pay much more than is received by the government. Now, the way taxes raise prices is by increasing the cost of production, and checking supply. But land is not a thing of human production, and taxes upon rent cannot check supply. Therefore, though a tax on rent compels the land owners to pay more, it gives them no power to obtain more for the use of their land, as it in no way tends to reduce the supply of land. On the contrary, by compelling those who hold land on speculation to sell or let for what they can get, a tax on land values tends to increase the competition between owners, and thus to reduce the price of land.

Thus in all respects a tax upon land values is the cheapest tax by which a large revenue can be raised—giving to the government the largest net revenue in proportion to the amount taken from the people.

III.—As to Certainty.

Certainty is an important element in taxation, for just as the collection of a tax depends upon the diligence and faithfulness of the collectors and the public spirit and honesty of those who are to pay it, will opportunities for tyranny and corruption be opened on the one side, and for evasions and frauds on the other.

The methods by which the bulk of our revenues are collected are condemned on this ground, if on no other. The gross corruptions and fraud occasioned in the United States by the whisky and tobacco taxes are well known; the constant undervaluations of the Custom House, the ridiculous untruthfulness of income tax returns, and the absolute impossibility of getting anything like a just valuation of personal property, are matters of notoriety. The material loss which such taxes inflict—the item of cost which this uncertainty adds to the amount paid by the people but not received by the government—is very great. When, in the days of the protective system of England, her coasts were lined with an army of men endeavoring to prevent smuggling, and another army of men were engaged in evading them, it is evident that the maintenance of both armies had to come from the produce of labor and capital; that the expenses and profits of the smugglers, as well as the pay and bribes of the Custom House officers, constituted a tax upon the industry of the nation, in addition to what was received by the government. And so, all *douceurs* to assessors; all bribes to customs officials; all moneys expended in electing pliable officers or in procuring acts or decisions which avoid taxation;

all the costly modes of bringing in goods so as to evade duties, and of manufacturing so as to evade imposts; all moieties, and expenses of detectives and spies; all expenses of legal proceedings and punishments, not only to the government, but to those prosecuted, are so much which these taxes take from the general fund of wealth, without adding to the revenue.

Yet this is the least part of the cost. Taxes which lack the element of certainty tell most fearfully upon morals. Our revenue laws as a body might well be entitled, "Acts to promote the corruption of public officials, to suppress honesty and encourage fraud, to set a premium upon perjury and the subornation of perjury, and to divorce the idea of law from the idea of justice." This is their true character, and they succeed admirably. A Custom House oath is a by-word; our assessors regularly swear to assess all property at its full, true, cash value, and habitually do nothing of the kind; men who pride themselves on their personal and commercial honor bribe officials and make false returns; and the demoralizing spectacle is constantly presented of the same court trying a murderer one day and a vender of unstamped matches the next!

So uncertain and so demoralizing are these modes of taxation that the New York Commission composed of David A. Wells, Edwin Dodge and George W. Cuyler, who investigated the subject of taxation in that State, proposed to substitute for most of the taxes now levied, other than that on real estate, an arbitrary tax on each individual, estimated on the rental value of the premises he occupied.

But there is no necessity of resorting to any arbitrary

assessment. The tax on land values, which is the least arbitrary of taxes, possesses in the highest degree the element of certainty. It may be assessed and collected with a definiteness that partakes of the immovable and unconcealable character of the land itself. Taxes levied on land may be collected to the last cent, and though the assessment of land is now often unequal, yet the assessment of personal property is far more unequal, and these inequalities in the assessment of land largely arise from the taxation of improvements with land, and from the demoralization that, springing from the causes to which I have referred, affects the whole scheme of taxation. Were all taxes placed upon land values, irrespective of improvements, the scheme of taxation would be so simple and clear, and public attention would be so directed to it, that the valuation of taxation could and would be made with the same certainty that a real estate agent can determine the price a seller can get for a lot.

IV.—As to Equality.

Adam Smith's canon is, that "The subjects of every state ought to contribute toward the support of the government as nearly as possible in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state." Every tax, he goes on to say, which falls only upon rent, or only upon wages, or only upon interest, is necessarily unequal. In accordance with this is the common idea which our systems of taxing everything vainly attempt to carry out—that every one

should pay taxes in proportion to his means, or in proportion to his income.

But, waiving all the insuperable practical difficulties in the way of taxing every one according to his means, it is evident that justice cannot be thus attained.

Here, for instance, are two men of equal means, or equal incomes, one having a large family, the other having no one to support but himself. Upon these two men indirect taxes fall very unequally, as the one cannot avoid the taxes on the food, clothing, etc., consumed by his family, while the other need pay only upon the necessities consumed by himself. But, supposing taxes levied directly, so that each pays the same amount. Still there is injustice. The income of the one is charged with the support of six, eight, or ten persons; the income of the other with that of but a single person. And unless the Malthusian doctrine be carried to the extent of regarding the rearing of a new citizen as an injury to the state, here is a gross injustice.

But it may be said that this is a difficulty which cannot be got over; that it is Nature herself that brings human beings helpless into the world and devolves their support upon the parents, providing in compensation therefor her own sweet and great rewards. Very well, then, let us turn to Nature, and read the mandates of justice in her law.

Nature gives to labor; and to labor alone. In a very Garden of Eden a man would starve but for human exertion. Now, here are two men of equal incomes—that of the one derived from the exertion of his labor, that of the other from the rent of land.

Is it just that they should equally contribute to the expenses of the state? Evidently not. The income of the one represents wealth he creates and adds to the general wealth of the state; the income of the other represents merely wealth that he takes from the general stock, returning nothing. The right of the one to the enjoyment of his income rests on the warrant of nature, which returns wealth to labor; the right of the other to the enjoyment of his income is a mere fictitious right, the creation of municipal regulation, which is unknown and unrecognized by nature. The father who is told that from his labor he must support his children must acquiesce, for such is the natural decree; but he may justly demand that from the income gained by his labor not one penny shall be taken, so long as a penny remains of incomes which are gained by a monopoly of the natural opportunities which Nature offers impartially to all, and in which his children have as their birthright an equal share.

Adam Smith speaks of incomes as "enjoyed under the protection of the state;" and this is the ground upon which the equal taxation of all species of property is commonly insisted upon—that it is equally protected by the state. The basis of this idea is evidently that the enjoyment of property is made possible by the state—that there is a value created and maintained by the community, which is justly called upon to meet community expenses. Now, of what values is this true? Only of the value of land. This is a value that does not arise until a community is formed, and that, unlike other values, grows with the growth of the community. It exists only as the community exists. Scatter again

the largest community, and land, now so valuable, would have no value at all. With every increase of population the value of land rises; with every decrease it falls. This is true of nothing else save of things which, like the ownership of land, are in their nature monopolies.

The tax upon land values is, therefore, the most just and equal of all taxes. It falls only upon those who receive from society a peculiar and valuable benefit, and upon them in proportion to the benefit they receive. It is the taking by the community, for the use of the community, of that value which is the creation of the community. It is the application of the common property to common uses. When all rent is taken by taxation for the needs of the community, then will the equality ordained by nature be attained. No citizen will have an advantage over any other citizen save as is given by his industry, skill, and intelligence; and each will obtain what he fairly earns. Then, but not till then, will labor get its full reward, and capital its natural return.

CHAPTER III.

REV. EDWARD McGLYNN, D. D.

DOCUMENT PRESENTED TO MGR. SATOLLI BY THE REV. EDWARD McGLYNN, D. D., IN DECEMBER, 1892—AND BY HIS DIRECTION EXAMINED BY A COMMITTEE OF THE PROFESSORS OF THE CATHOLIC UNIVERSITY, AT WASHINGTON, D. C.—DECLARED TO CONTAIN NOTHING CONTRARY TO CATHOLIC TEACHING.

All men are endowed by the law of nature with the right to life and to the pursuit of happiness and therefore with the right to exert their energies upon those natural bounties without which labor or life is impossible.

God has granted those natural bounties, that is to say, the earth, to mankind in general, so that no part of it has been assigned to anyone in particular, and so that the limits of private possession have been left to be fixed by man's own industry and the laws of individual peoples.

But it is a necessary part of the liberty and dignity of man that man should own himself, always, of course, with perfect subjection to the moral law. Therefore, besides the common [equal] right to natural bounties, there must be by the law of nature private property and dominion in the fruits of industry or in what is produced by labor out of those natural bounties to which the individual may have legitimate access, that is, so far as he does not infringe the equal right of others or the common rights.

It is a chief function of civil government to maintain equally sacred these two natural rights.

It is lawful, and it is for the best interests of the individual and of the community and necessary for civilization that there should be a division as to the use and an undisturbed, permanent, exclusive private possession of portions of the natural bounties, or of the land; in fact, such exclusive possession is necessary to the ownership, use and enjoyment by the individual of the fruits and products of his industry.

But the organized community through civil government must always maintain the dominion over those natural bounties, as distinct from the products of private industry and from that private possession of the land which is necessary for their enjoyment. The maintenance of this dominion over the natural bounties is a primary function and duty of the organized community, in order to maintain the equal right of all men to labor for their living and for the pursuit of happiness, and therefore their equal right of access directly or indirectly to natural bounties. The assertion of this dominion by civil government is especially necessary because with the very beginning of civil government and with the growth of civilization, there comes to the natural bounties, or the land, a peculiar and an increasing value distinct from and irrespective of the products of private industry existing therein. This value is not produced by the industry of the private possessor or proprietor but is produced by the existence of the community and grows with the growth and civilization of the community. It is therefore called unearned increment. It is this unearned increment that in cities gives

to lands without any improvements so great a value. This value represents and measures the advantages and opportunities produced by the community, and men, when not permitted to acquire the absolute dominion over such lands, will willingly pay the value of this unearned increment in the form of rents, just as men, when not permitted to own other men, will willingly pay wages for desired services.

No sooner does the organized community, or state, arise, than it needs revenues. This need for revenues is small at first while population is sparse, industry rude, and the functions of the state few and simple, but with growth of population and advance of civilization the functions of the state increase and larger and larger revenues are needed. God is the author of society and has pre-ordained civilization. The increasing need for public revenues with social advance being a natural God-ordained need, there must be a right way of raising them—some way that we can truly say is the way intended by God. It is clear that this right of raising public revenues must accord with the moral law or the law of justice. It must not conflict with individual rights, it must find its means in common rights and common duties. By a beautiful providence, that may be truly called divine, since it is founded upon the nature of things and the nature of man, of which God is the creator, a fund, constantly increasing with the capacities and needs of society, is produced by the very growth of society itself, namely, the rental value of the natural bounties of which society retains dominion. The justice and the duty of appropriating this fund to public uses is apparent in that it takes nothing from

the private property of individuals except what they will pay willingly as an equivalent for a value produced by the community, which they are permitted to enjoy. The fund thus created is clearly by the law of justice a public fund, not merely because the value is a growth that comes to the natural bounties which God gave to the community in the beginning, but also, and much more, because it is a value produced by the community itself, so that this rental value belongs to the community by that best of titles, namely, producing, making, or creating.

To permit any portion of this public property to go into private pockets, without a perfect equivalent being paid into the public treasury, would be an injustice to the community. Therefore the whole rental fund should be appropriated to common or public uses.

This rental tax will make compulsory the adequate utilization of natural bounties exactly in proportion to the growth of the community and of civilization, and will thus compel the possessors to employ labor, the demand for which will enable the laborer to obtain perfectly just wages. The rental tax fund growing by a natural law proportionately with the growth of civilization will thus be sufficient for public needs and capacities and therefore all taxes upon industry and upon the products of industry may and should be abolished. While the tax on land values promotes industry and therefore increases private wealth, taxes upon industry act like a fine or a punishment inflicted upon industry—they impede and restrain and finally strangle it.

In the desired condition of things land would be left in the private possession of individuals, with full lib-

erty on their part to give, sell, or bequeath it, while the state would levy on it for public uses a tax that should equal the annual value of the land itself, irrespective of the use made of it or the improvements on it.

The only utility of private ownership and dominion of land, as distinguished from possession, is the evil utility of giving to the owners the power to reap where they have not sown, to take the products of the labor of others without giving them an equivalent—the power to impoverish and practically to reduce to a species of slavery the masses of men, who are compelled to pay to private owners the greater part of what they produce for permission to live and to labor in this world, when they would work upon the natural bounties for their own account, and the power, when men work for wages, to compel them to compete against one another for the opportunity to labor, and to compel them to consent to labor for the lowest possible wages—wages that are by no means the equivalent of the new value created by the work of the laborer, but are barely sufficient to maintain the laborer in a miserable existence, and even the power to deny to the laborer the opportunity to labor at all. This is an injustice against the equal right of all men to life and to the pursuit of happiness, a right based upon the brotherhood of man which is derived from the fatherhood of God. This is the injustice that we would abolish in order to abolish involuntary poverty.

That the appropriation of the rental value of land to public uses in the form of a tax would abolish the injustice which has just been described, and thus abolish involuntary poverty, is clear; since in such case

no one would hold lands except for use and the masses of men, having free access to unoccupied lands, would be able to exert their labor directly upon natural bounties and to enjoy the full fruits and products of their labors, beginning to pay a portion of the fruits of their industry to the public treasury only when, with the growth of the community and the extension to them of the benefits of civilization, there would come to their lands a rental value distinct from the value of the products of their industry, which value they would willingly pay as the exact equivalent of the new advantages coming to them from the community; and again in such case men would not be compelled to work for employers for wages less than absolutely just wages, namely, the equivalent of the new value created by their labor; since men surely would not consent to work for unjust wages, when they could obtain perfectly just wages by working for themselves; and, finally, since, when what belongs to the community shall have been given to the community, the only valuable things that men shall own as private property will be those things that have been produced by private industry, the boundless desires and capacities of civilized human nature for good things will always create a demand for these good things, namely, the products of labor—a demand always greater than the supply; and therefore for the labor that produces these good things there will always be a demand greater than the supply and the laborer will be able to command perfectly just wages—which are a perfect equivalent in the product of some other person's labor for the new value which his own labor produces.

NOTE.—There has recently appeared from the pen of a Catholic layman a book* in which the author tries to extenuate the importance of Monsignor Satolli's decision by intimating that it represents only the simple individual opinion of the four professors. Loyalty to truth dictates that this criticism should be here offset by some pertinent facts in the case.

Monsignor Satolli in a former visit to the United States in 1889 and as the guest of Archbishop Corrigan, had ample opportunity for investigation of the land question from the viewpoint of the United States and of Rome. Hence he had four years of time in which he might have made a preliminary examination. Monsignor Satolli was credited with having been one of those consulted when the Pope's Encyclical *Rerum Novarum*, of May 15, 1891, was in preparation, and was thereby the better able to judge what was in accord or in conflict with it.

Among the important duties of his mission was to bring to a satisfactory conclusion what was then known as the McGlynn Controversy. Dr. McGlynn, at the request of the Apostolic Delegate, submitted to him through his counsel, Dr. Burtzell, a statement in Italian of his views on the subject of private property in land. On this statement Monsignor Satolli consulted four of the professors of the Catholic University. The decision of Monsignor Satolli that there was nothing contrary to Catholic doctrine in the opinions of Dr. McGlynn as exhibited in that statement was official, and was followed by the return of Dr. McGlynn to active duty.

*"Fundamental Fallacy of Socialism," Arthur Preuss, published by B. Herder, St. Louis, Mo., 1908.

CHAPTER IV.

THOMAS G. SHEARMAN.

CHAPTERS IX and XIII FROM NATURAL TAXATION,
DOUBLEDAY, PAGE & CO., GARDEN CITY, NEW YORK,
1911.

THE NATURAL TAX.

§ 1. Automatic taxation. Having seen that every form of indirect taxation is unjust to the poor, and that every form of so-called direct taxation thus far examined is unjust to the honest, we cannot be surprised at the unanimity with which it has hitherto been declared that there is no scientific or natural method of taxation.

Nevertheless, if we can find in actual operation, in every civilized country, a species of taxation which automatically collects from every citizen an amount almost exactly proportioned to the fair and full market value of the benefits which he derives from the government under which he lives and the society which surrounds him, may we not safely infer that this is natural taxation? And is not such taxation capable of being reduced to a science?

Such an automatic irresistible, and universal system does exist. All over the world men pay to a superior authority a tribute, proportioned with wonderful exactness to these social advantages. Each man is compelled to do this, by the fact that other men surround

him, eager to pay tribute in his place if he will not. The just amount of this tribute is determined by the competition of all his neighbors; who calculate to a dollar just how much the privilege is worth to them, and who will gladly take his place and pay in his stead. Every man must, therefore, pay as much as some other man will give for his place; and no man can be made to pay any more.

§ 2. **Ground rent.** This tribute is sometimes paid to the state, when it is called a tax; but it is far more often paid to private individuals, when it is called ground rent.

Where there is no government there is no ground rent. As government grows more complex and does more for society, ground rents increase. Any advantage possessed by one piece of land over another will, it is true, give rise to rent; but that rent cannot be collected without the aid of government; and no advantage in fertility is ever equal in value to the advantage of society and government. An acre of sand on the coast of New Jersey, at Atlantic City, Cape May, or Long Branch, is worth more rent than a million acres of fertile land five hundred miles distant from all human society. The sixteenth of an acre of bare rock in New York City is worth more than a thousand acres of the best farming land in Manitoba.

Ground rent, therefore, is the tribute which natural laws levy upon every occupant of land, as the market price of all the social as well as natural advantages appertaining to that land, including, necessarily, his just share of the cost of government.*

"The definition of rent here given is not inconsistent with the principles of Ricardo; although it is not expressed in his words. As Senior and other friends of Ricardo have remarked, he never took pains to express himself accurately; and he constantly assumed that his readers would remember every limitation which he had once laid down and would comprehend all that was implied in his mind. His definition of the law of Rent is a remarkable illustration of his peculiar methods.

No man could have been more fully aware than was Ricardo, of the enormous amount of rent which was collected in his own time from land which had no fertility and no productive power. Most of his life was spent upon just such land in London; and for the use of such land he paid and received great rents. Yet his famous definition assumes that rent is never paid for anything except "the use of the original and indestructible powers of the soil." And his exposition of the operation of this law is confined so strictly to the growth of "corn" (that is, wheat), that some of his disciples and many of his critics seriously assume that Ricardo did not suspect the existence of any law of rent, which was not governed entirely by the growth of "corn."

But Ricardo's methods, in this and in other instances, recall the style of the Ten Commandments. Taken literally, those commandments are as defective a code of morals as can be found in almost any ethical system. They do not in terms forbid the most brutal violence or recklessness, if death does not result, nor any form of fraud or swindling not amounting to literal theft. They do not forbid any form of outrage upon unmarried women. They do not forbid lying, except in judicial proceedings. They have not a word about malice, envy, hatred, bribery, betrayal of trust, or even treason. And yet both the Hebrew nation and the Christian church have always seen these prohibitions implied in the curt words which denounce merely a few of the worst and most striking forms of crime.

So it is with Ricardo. He took the most striking and easily understood illustration of a principle, as his method of stating the principle itself. His writings always bear the marks of a genius, which was driven by its own internal energy to find relief in utterance, but which cared very little whether its utterances were understood or not. In this particular instance, he suggested a principle by a single illustration of the most familiar character. But the principle is not limited by the illustration. Any advantage which one piece of land has over another, for the use of man, was included, in Ricardo's mind, among the "original and indestructible powers of the soil." And foremost among these advantages stands that of affording standing ground, in the midst of a highly civilized society, under the protection of a highly organized and faithful government.

§ 3. **The justice of ground rent.** Now observe how perfectly this natural tribute meets all the requirements of abstract justice, with which our professor-friends have so long wrestled in vain. Here is the exact *quid pro quo*. No sane man, in any ordinary society, pays too much rent. For he pays no more than some other man is willing to pay for the same privileges. He therefore pays no more than the market value of the advantage which he gains over other men by occupying that precise position on the earth. He gains a certain profit out of that position, which he could not gain elsewhere. That fact is conclusive proof that this profit is not the fruit of his labor, but comes out of some superior fertility in the soil, some superior opportunity for selling the fruits of his labor, some superior protection from government in the enjoyment of those fruits, or some other advantage of mere position. Thus he receives full value, in exchange for his payment. *He* receives it; not merely society in general. He receives the *whole* of it; he is not compelled to divide a dollar's worth of this benefit with his neighbors. But, on the other hand, he pays the full value of what he thus receives; and he owes nothing more to anybody. The transaction is closed, upon fair and equal terms.

Here, then, is a tax, just, equal, full, fair, paid for full value received, returning full value for the payment, meeting all the requirements of that ideal tax, which professors and practical men alike have declared to be an impossibility. It is not merely a tax which justice *allows*; it is one which justice *demand*s. It is not merely one which *ought* to be collected: it is

one which infallibly will be and *is* collected. It is not merely one which the state *ought* to see collected; it is one which, in the long run, the state *cannot prevent* from being collected. The state can change the particular landlord: it cannot abolish rent.

§ 4. **Landlords natural tax-gatherers.** It is quite true that some men do not pay ground rent to anyone else. But these are landlords, of the most highly developed type. A few of these men seem, at first glance, neither to pay nor receive ground rent. But this is an illusion. They do receive such rent, in the value which remains in their possession, in excess of what they would hold if they paid rent like other people. Moreover, such men almost invariably have either paid a price for the land on which they live (which is capitalized rent paid by them), or they hold land which cost them less than they could sell it for (which is capitalized rent gained by them), or they have done both.

Those who actually receive ground rent, or who could receive it if they would, form the class which we call "landlords." They are the tax-gatherers appointed by Nature. Year by year they assess the value of the privilege of occupying their land. They can do this, with an accuracy to which no government assessor can ever attain; because they receive, at least once a year, the best possible information as to this value, in the form of bids from tenants. They have only to announce their willingness to receive bids; and the bids come in. Nobody runs after the assessor, to tell him what property is worth. Everybody runs after the landlord, to tell him what his land is worth. Not that everybody tells him the truth; but he soon finds out

what is the truth, by comparing conflicting statements.

The landlord, we repeat, is Nature's elected tax-gatherer. But Nature does not compel him, any more than any other collector of taxes, to pay over to the state what he collects. This must be done by the state itself.

§ 5. Taxation of ground rents. Nature, having thus provided a method by which all men pay, of necessity, a tribute sufficient to defray all expenses of government, clearly points to the collection of such expenses from this tribute. We have already seen that Nature and Science condemn every other method of raising public revenue, by making equality and justice impossible under any such method. Do they not, with equal clearness and precision, point to the taxation of ground rents, as not merely a just method of raising revenue, but also as the *only* just one? Scientifically speaking, a tax upon ground rents is not a tax at all: it is merely the collection, by the state, of a tax already levied by an automatic process. If we call it a tax, it is a tax upon the proceeds of taxation, and nothing else. Until this source of revenue is exhausted, every other tax is double taxation. So long as this fund remains, every other tax is of necessity unjust, as truly as it would be unjust to squander the proceeds of any tax among a few favored officials and then levy the whole of the same tax over again upon the people. Seldom has there been a more beautiful illustration of the wise yet relentless working of natural law, than in the proved impossibility of justly collecting any tax other than upon ground rent. It shows that Nature makes it impossible to execute justly a statute which is in its

nature unjust. The propriety of an exclusive tax upon ground rents is established, not merely by affirmative proof of its justice, but by the demonstration of universal experience that no other form of taxation can be made effective, adequate, just, and equal.

§ 6. No objectionable methods of collection. The absolute soundness of the theory upon which the tax on ground rents is based is further established by the fact that its efficient collection requires no objectionable methods. Such a tax already exists in the United States; although it is covered up by a multitude of other taxes. We all know, by experience, that such a tax is entirely free from the oppressive and corrupting incidents of other taxes. It calls for no personal returns, no taxpayers' oaths, no exposure of private affairs. The collector of such a tax would not have the slightest excuse for inquisitorial proceedings, for the examination of private books, for entry into houses, for personal searches, or for asking a single question of the taxpayer. In fact, he would not pay the smallest attention to any statement which a taxpayer might make. Women and children would be taxed no more heavily than men. Trust estates would pay no more than others. There would be no exemptions, no favoritism, and no preference given, either to the rich or to the poor. Mistakes of course would occur; and the bribery of assessors would be possible. But those are an extremely small part of the evils of all existing methods of taxation; and some of the most monstrous inequalities are found where the assessors are absolutely incorruptible and thoroughly competent. All of these would disappear.

§ 7. **Assessment of ground rent practicable.** It is asserted by a few persons, who have given no careful consideration to the subject, that it is as difficult to assess accurately the value of the bare land, as it is to assess any other property. This objection will not bear the least examination.

Of course *absolute* accuracy is not to be expected in anything. It has not pleased God to make this world literally perfect, in any respect; and man cannot hope to be wiser than his Maker. But a close approach to accuracy is possible in taxing ground rents; and it is not possible in any other tax.

Where land is rented separately from its improvements, the tax can be collected with almost ideal accuracy. The tenant can be required to pay it, being allowed to deduct it from his rent. He will have no motive for understating the rent; and if he overstates it, the loss will be his own. Nothing but positive fraud on the part of the official assessor can produce inequality in this tax; and such fraud would be too dangerous to be common.

Where land and improvements are rented together, the value of the land alone is always approximately ascertainable. Real estate dealers in the district would have little difficulty in estimating the price at which any tract of land could readily be sold; and this would be the proper basis for assessment.

Where land is owned by the actual occupier, dealers can still easily estimate its market value. Titles to town lots are continually changing; thus fixing a standard of prices: while in rural districts there is much less variation in prices; and all the neighbors

know the relative value of each farm. Whatever inequalities might remain, it is certain that they would be vastly less than those which are now common.

§ 8. **Assessment of farm lands.** It has been asked: How can the unimproved value of farm lands be ascertained, after they have been cleared, ploughed, drained, and fertilized for many years? The answer is simple. The whole of a farm is to be assessed at the same value, per acre, which attaches to the unimproved land, remaining on the farm and having substantially the same natural advantages or disadvantages. It is next asked: How shall such an estimate be made, if the whole farm has been fully cultivated? There is no such farm, except a few very small ones, selected from larger farms; and in those cases the valuation can be made upon the basis of unimproved land on adjoining farms. It has been pretended that there are cases, in which there is no unimproved land nearby. But this is almost absurd. Yet if such a marvellous farm could be found, it is certain to be close to a highway. The price which could be obtained for the land covered by the highway, if closed and sold, would afford a perfect test of the value of all adjoining land.

But the best reply to all such objections is to be found in the practical experience of California, where this very method of assessment is carried out in agricultural districts, without difficulty, having been required by law, ever since 1879, and by the experience of Massachusetts, where the value of farm lands has been ascertained by the decennial census, for many years, carefully separating the value of improved lands from unimproved and unimprovable lands.

§ 9. Judicial correction of assessments. Under the present systems of taxation, it has been found necessary to allow appeals to the courts from some unjust assessments: while State boards of equalization in New York, Illinois, California, and other States put county valuations up or down, in order to remedy the evils caused by local carelessness or evasion. These remedies should be extended and placed upon a foundation of complete justice. The courts should be given full power to make local assessments uniform, reducing every assessment to the basis of the lowest in the county. The county would lose no revenue; for the tax rate would be increased to correspond with the general reduction. But citizens would be relieved from the gross injustice which many now suffer. At present, in New York, if not everywhere, a taxpayer can obtain no relief, unless his own property is overvalued. But an undervaluation of his neighbors is just as effectual an increase of his share of the general burden as would be an overvaluation of his own property. It would cast an offensive responsibility upon him, to give him relief only through a judgment increasing his neighbors' assessments; and such a course would produce no better result for the county than would a general reduction to one common basis. The State at large would take care of its interest in the matter, through the board of equalization.

§ 10. Correction by sales. If all other remedies failed, one would remain, which is far too dangerous for use under existing methods, but which would be quite safe under the new system. The owner of any real estate which was assessed for more than the real

value of the bare land, could refuse to pay the tax. Then his land would be offered for sale to the highest bidder, subject to the obligation of paying to the owner the appraised value of all improvements thereon, upon the principles already stated. The value could never be more than the cost of replacing the improvements, and it would often be much less; because costly buildings are frequently erected in situations where they are or become useless, and therefore of no value. To the full extent of their actual market value, however, the purchaser at a tax sale would be required to indemnify the owner. Such a sale would determine the precise value of the land, for the purposes of taxation.

Nor would such sales, however frequent they might be, work any hardship to the landowner. He would have a right to bid; and he would have great advantages over any other bidder. All the money paid in excess of the tax and the penalty would go directly into his pocket; and, therefore, he would be the only bidder not required to pay more than that sum. If the tax were really excessive no one would bid up to it; because the purchaser would be compelled to pay annually thereafter as large a tax as he was willing to bid at the sale. The tax sale, in short, would fix the valuation upon which future assessments would be made. Thus the ground rent (which, capitalized, constitutes the only value of any land) would be fully taxed; while the land-owner would have absolute security for the possession of the value of all his improvements, free of tax. But no such experiment would ever become really necessary.

§ 11. **Taxation of franchises and monopolies.** It

has been already mentioned that the professed defenders of farmers and other owners of small homesteads oppose the concentration of taxation upon ground rents, on the plea that this would exempt all franchises and monopolies, including railways, express companies, telegraphs, telephones, gas works, electric lighting works, oil-pipe lines, and the like. If this were the fact we may be sure that the shrewd managers of such monopolies, assisted as they are by the most sagacious and experienced advisers in the country, would have discovered it by this time. We may also be sure that the legislatures of two-thirds of the States, owned as they are, body and soul, by corporations of this precise class, would hasten to avow their conversion to the principle of taxing ground rents and to embody it in their statutes. The Senate of the United States would before now have passed any necessary amendment to the Constitution, by a two-third vote.

But do we see the slightest tendency in this direction? Is the proposal received with favor by the managers of a single great railway or telegraph or of any great monopoly? On the contrary, is it not notorious that they are unanimously and bitterly opposed to it?

These gentlemen are not deceived. They know well enough that their valuable franchises represent exclusive rights to the use of land, and that they neither have nor can have any exclusive rights to anything else, except to patent rights, which are very costly, and which last only for a few years.

§ 12. **Railway franchises.** Take one of our great railway lines, for example. Add up either the market value or the cost of replacing its rails, equipment, build-

ing improvements and chattels of every kind, whether movable or immovable, and at a most liberal valuation. The total will not come within millions of its nominal debt, and will never touch its capital stock. What gives value to the enormous amount of stock? The exclusive privilege of using a narrow strip of barren land, five hundred, a thousand, or two thousand miles long, unbroken by highways or any other rights over land, whether public or private. Under the present system railway managers persuade local assessors that this land should be valued no higher than equally barren land in adjoining farms; and the farmers' especial advocates insist that this is the true basis of valuation. But it is absurd.

The value of all land depends upon the value of the use which can be made of it. No farmer can use his land for the carriage of goods or passengers, beyond the limits of his own farm. If all the farmers between New York and San Francisco agreed to build a railway, without forming a railway corporation, they would be compelled to break their line at every highway, to dismount their passengers and to unload their freight. Therefore, nobody outside of a railway company can use his land for this most valuable purpose. And this privilege of using an unbroken strip of land, with locomotives running forty miles an hour, is all which gives to the stock of any American railway company its market value; while it generally covers from one-third to one-half of its bonds, in addition.

The notion that such privileges on land are to be appraised by the acre, like farm lands, can be readily tested by applying the same principle to any other land.

that the limit is soon reached; and even the liberality of a legislature or a board of aldermen cannot make room for many rival schemes of this kind. The streets cannot be torn up forever; although, in New York and Brooklyn, they do not fall much short of this. The limits imposed by nature are such that more than three-fourths of the whole market values of the stock and bonds of corporations, having these municipal privileges, consist of pure land values.

Under the present system, in most cases, all these enormous values go untaxed. The law of New York distinctly exempts franchises from taxation; although it is well settled that they would be taxable as "land" but for this legislative interference. Under the system here proposed all these values would be fairly taxed.

§ 14. Can the rent tax be shifted? While the Duke of Argyll and all his landlord allies rend the air with their denunciations of the proposed tax on rent, as confiscation and robbery, other opponents of the tax, appreciating the fact that tenants far outnumber landlords at the polls, devote their energy to proving that this tax would all be shifted upon tenants, by an increase of rent, so that landlords would finally pay none of it. If this were true, then no relief from the unequal distribution of wealth can be had; for all direct taxes would ultimately fall upon consumption, just as surely as do indirect taxes. In short, *no* tax would be really direct. The greatest benefit thus far held out, as the result of adopting an exclusive tax upon ground rent, would be unattainable under that or any other system.

On the other hand, if this doctrine is true, the indignation of the Duke of Argyll and all the great land-

lords of Great Britain and Ireland is absurdly misdirected. If they can recover this tax from their tenants, precisely as the importer of foreign goods recovers customs taxes from the purchasers of those goods, they will lose nothing by the change, and may even profit by it. It is very clear that the landlords do not believe a word of this doctrine of shifting taxation; for if they did they would look with indifference, if not with positive favor, upon the taxation of ground rents. So far from doing this, dukes, earls, and marquises are eagerly struggling in England for election as councilmen and aldermen, for the sole purpose of preventing the taxation of ground rents.

The weight of authority upon such a question is worthy of attention, although by no means decisive. Now, while a few respectable and sincere students of economic science hold to the doctrine of the transferability of the ground-rent tax to the tenants, no one will dispute that an overwhelming weight of authority, both in numbers and in reputation, scout that doctrine as absurd. Not only the entire school of Ricardo and Mill, but also nine-tenths or more of other economic writers make it a fundamental doctrine of their science that such a tax never can be transferred to tenants.

§ 15. The question illustrated. Let us, however, consider the question for ourselves, as if it were entirely new. The simplest way of testing it is to imagine that the tax was made heavy enough to absorb the whole rent. For, although this is impossible, it really makes no difference whether half or the whole of rent is taken by taxation, so long as the state is determined to take some fixed proportion of rent. Any good ac-

countant can satisfy himself that the result would be the same under either plan. But persons unaccustomed to figures could not follow any other calculation so easily as they can follow one based upon a tax equal to the whole rent.

Let us then suppose the "single tax unlimited" to be in operation. Let us suppose the total ground rent of the United States to be \$1,000,000,000. The total production of the nation does not exceed \$13,000,000,000 per annum. Out of this, 65,000,000 people have to draw their living expenses. Even if they had no ground rent and no taxes to pay they could not possibly save \$5,000,000,000 a year. But suppose they could. The landlords collect in rent \$1,000,000,000. The government takes the whole of this in taxes. The landlords then shift the tax upon the tenants, and insist upon collecting \$2,000,000,000 in rent. But the government next year taxes the whole of this increased sum out of the landlords. The landlords then raise their rent to \$3,000,000,000. But the government immediately takes the whole of that in taxes. The landlords raise their rent to \$4,000,000,000. The government again takes it all. They raise rent once more to \$5,000,000,000. Again it is all swallowed up in taxes. Will the landlords raise their rent again? How can they? They would by that time have taken every dollar that tenants earned, over the barest living; and if they attempted to extort another dollar, some tenant would die of starvation; and rents would fall, from lack of tenants. And as the government would have extracted the whole of their rent, they would have gained not a dollar by their persistent oppression of their tenants.

§ 16. **Distinction between land and houses.** It will be said that nothing of this kind could really be done by any government. Quite true; but that is simply because nothing of the kind could be done by landlords. Landlords know, to their cost, that it takes three or four years to enable them to recover from tenants even increased taxation upon *houses*; although they will recover it in the end. But, since it is difficult to recover a tax which tends to diminish the number of houses, how vastly more difficult must it be to recover a tax upon the value of land, which has no tendency whatever to diminish the amount of available land.

And here the reader can see the reason for the distinction. If owners of houses cannot recover from tenants the tax upon houses, nobody will build any more houses for renting. But the owner of land cannot create any more land, no matter how liberally he may be paid for it; and he cannot diminish the area of land, no matter how little he may receive for it. Every increase of taxation upon ground rents makes it more difficult to keep land out of use; and therefore it increases the competition between landlords to get tenants. Under a light tax upon ground rents, two tenants pursue one landlord. But under a heavy tax, two landlords pursue one tenant. If ground rents should be taxed even to half their amount, landlords without tenants would be compelled to sell at any price to other landlords who could get tenants. The tendency of all taxes upon ground rents, therefore, is to reduce rent, rather than to increase it; and this makes the very idea of a transfer of such taxes to the tenant utterly absurd.

A moment's reflection will satisfy everyone that landlords charge just as much for their land as they can possibly get, except in special cases of good nature, charity, or ignorance.* In all ordinary cases the only reason why they do not charge more is that they cannot find anybody able and willing to pay more. How can this condition be changed by taxes upon rent? It is not and it cannot be. The average landlord will charge the highest rent which he can get, tax or no tax. And, as no man will ever get more than he *can* get, no amount of tax upon ground rents will ever be shifted over to tenants by an increase of rents.

§ 17. **Amount of the tax on rent.** It does not follow that the state should compel the landlord to pay over all that he receives. If the state could and should do this, the landlord would cease to do his work; because he would receive no compensation for it. Natural laws again settle this question, by making such exact collection impossible. Not all the power of all governments, concentrated upon the landlords of a single town, could extract from them *precisely* one hundred per cent. of the rent received by them.

Nor does it follow that even ninety per cent. of rent ought to be taken. Where rents are large the retention

*This is universally true in the United States. In many parts of Europe, especially in England, agricultural rents are limited by custom and public opinion. In Ireland, they are often limited by law. But all that results from such restrictions is that rent is divided between two or more landlords. The mass of the people, who are the real, final tenants, gain nothing whatever. The farm-tenant either sub-lets the farm, at a higher rent, or he makes a larger profit out of the farm, without selling his produce any cheaper or paying a penny more wages to his laborers.

of ten or even five per cent. might be sufficient to induce landlords to follow up tenants and extract from them that just rent which everyone ought to pay. Where rents are small a commission of ten or even fifteen per cent. may be insufficient for this purpose. An iron rule is not a natural rule; and it will not work well.

What would Nature or Science dictate upon this point? Is it not that the state should collect from the natural tax collectors whatever amount the state really needs, for the effective but economical administration of government? Is it not better, in case there should remain any considerable excess over this, that it should remain in private hands, rather than it should be taken by the state, before the state officers know how to use it for the real benefit of the people at large? Grant, if you please, that there would be such surplus of rent as to breed wasteful luxury among landlords, is not this less injurious to the community than wholesale waste and embezzlement of public funds? Our whole national history illustrates the truth that surplus public revenues first corrupt public officers and then debauch the nation itself.

But in fact, in the long run, there will be no such question to decide. The honest needs of public government grow faster than population and fully as fast as wealth itself. Local taxation will increase rapidly; and it ought to do so. Such taxation increased in Ohio, for example, 1400 per cent. in forty years, between 1846 and 1886; while population increased only 100 per cent., and wealth 1,000 per cent. It is more likely that vigilance will be needed to prevent the taxation of

rent from rising too fast, than that it would be required to keep landlords from retaining too much. This does not imply that ground rent will not be sufficient to supply many, possibly all, of those additions to human happiness which Henry George has pictured in such glowing words. But such extensions of the sphere of government must take place gradually; or they will be ruinous failures, simply because the state cannot at once furnish the necessary machinery for their successful operation.

This natural tax might be adopted in one day, not only without injury to the nation, but with positive benefit to more than nine-tenths of all the people. But this would be strictly upon condition that the amount collected for public use should not at first exceed that which was previously collected. Indeed, it would be essential to the permanence of such taxation that public revenues should be at the beginning of the new system even smaller than they were immediately before. And we may be perfectly sure that they would be. A body of 4,000,000 taxpayers will take care of that.

§ 18. **New benefits shared with landlords.** There is, nevertheless, a certain element of truth underlying the idea that a rent-tax can be shifted. While it is not true that one dollar of the tax can be transferred to the tenant, in any case where rent is fixed upon strictly business principles, it is true that, in many places, and especially in rural districts of England, the owners of farm lands do not charge the full market value of the land to their tenants. Personal considerations, kindness of feeling, custom, long-continued relations between the families of the landlord and the tenant, public

opinion, tradition, the desire to control votes, and many similar influences keep rents below their market value. Under a system of taxation, concentrated upon rents, these influences would lose much of their power. Under a tax, deliberately raised to the highest practicable point, these influences would lose *all* of their power. Tenants would, therefore, find their rents increased to the full value of the land. Here would seem to be a real shifting of the tax.

But this would be only a seeming, not a reality. The tenants, who now receive the benefit of those influences, are in reality themselves landlords, to that extent. They divide economic rent with their landlords. They do not divide the rent, thus left in their pockets, with the community at large. They do not reduce the prices of their products or charge any less for their services. Many of them sub-let a part of the land to others, to whom they charge the full market price. The community, as a whole, pays just as much rent, when the duke allows the farmer to occupy land at 20 per cent. below its full value, as it does when the duke's creditors seize his land and make the farmer pay the last penny that the land is worth. The farmer sells wheat at the same price and pays to his laborers the same wages, in either case. But there is a good deal of difference in the style of his daughters' dresses and the length of his annual vacation.

There is another result which must follow, if the community gains in wealth and happiness, through this change in methods of taxation. Every advance in prosperity—every widespread increase in wealth, tends to increase rent. If it is true, as will be pres-

ently maintained, that this reform in taxation will stimulate production, increase wages, promote the development of industry, add to the profits of capital and reward the efforts of skill, then there will be a greatly increased demand for the locations which offer the best natural opportunities for the use of capital, labor and skill; and ground rents will rise. But this is not the shifting of an old burden; it is the sharing of a new benefit.

SOCIAL EFFECTS OF NATURAL TAXATION.

§ 1. **The effect in general.** The adoption of a natural, intelligent, and scientific system of taxation would bring about a just distribution of wealth, would give a perpetual stimulus to industry and production, would greatly increase wages, would increase the profits of capital, would give a security to property now unknown, would encourage manufactures, commerce, and agriculture, and would incidentally solve many social problems which under present conditions seem almost insoluble.

It is hoped that as each branch of the inquiry has been discussed, it has appeared that each step towards this great but simple reform has been attended with the solution of some difficult problem. But others have been reserved for this final review.

§ 2. **Stimulus to production.** It must surely be evident, without argument, that when all taxes are concentrated upon ground rents alone, and when every piece of land is estimated for assessment at the amount for which it could be rented for present use, the tax constantly increasing, in exact proportion to any increase in the rental value of the land, it would generally be impossible to hold any land out of use for the purpose of speculation. The only exception would be cases in which it was so clearly desirable

that the land should be preserved for future use, that its possessor could better afford to pay the tax out of his capital than to allow the land to be put to any present use which would spoil it for a more desirable future use. The pressure put upon the land-owner to make immediate and beneficial use of the land would, in most cases, be irresistible. The result, in all but a few exceptional cases, would be that all land, which any one cared to claim as owner, would be put into immediate use for productive purposes; while a vast amount of land which is now held for pure speculation, would be abandoned to the use of any one who was willing to pay the annual tax.

Under such a system all land would be made useful, up to its full capacity. The possession of land would necessitate the constant employment of labor in its use and development; and all who were unable or unwilling to use land to the best advantage of the community would abandon it to those who were both able and willing.

But this is only one of the many stimulants to production which are involved in reformed taxation. Think of the many other encouragements which industry would receive. Money and credit, free from all taxes, would crowd into the industrial field. Factories, mills, furnaces, foundries, workshops, stores, offices, machinery, tools, instruments of production in every conceivable form, would all be free from taxes. The farmers' barns, crops, plows, tools and implements, his horses, cattle, sheep, materials and products of every kind, would be free of tax. His land could be drained, stubbed, subsoiled and im-

proved to the highest point, without adding a dollar to his taxes. Commerce would be free as air. The farmer would buy in the cheapest market, and sell in the dearest. Monopoly could no longer hinder production. The only limit of production would be the limit of demand.

§ 3. Effect on wages. Using the term "wages" as including all forms of compensation for personal labor, it should seem clear that the great increase in production which would thus be brought about must greatly increase the demand for labor, and would therefore produce a general and permanent advance in wages.

Nominal wages, expressed in terms of money, must advance, because there would be an anxious demand for labor on the part of all land-owners. For without a constant supply of efficient labor, the annual tax could not be paid; and then the land would fall into the hands of those who would extract from the land, either by their own labor or by the labor of others, a revenue sufficient to pay the tax, with a profit. The increased demand for labor thus arising would, in any country large enough to make a rate of its own, largely increase the general rate of wages. That this is the invariable result, in all similar cases, has been abundantly proved by past experience. The opening of new land to labor has always tended to increase wages; and under the proposed system of taxation there would be an enormous increase in the new land thus opened to labor, and therefore a corresponding increase in the reward of labor. The effect upon wages would be precisely that which would be

produced by the discovery of a new continent of fertile and healthy land.

Real wages (in other words, the real reward of labor) would be increased to a much greater extent than *nominal* wages. For while wages, expressed in forms of money, must rise, as already shown, prices of the good things which wages buy would fall, on account of the much greater production of such things, which would result from the immensely greater application of labor and capital to land. More than this, it having been already shown that the bulk of taxation is now borne by the wage-earners, and that the whole of this taxation would be taken off their shoulders by the new system, their *real* income would be practically increased by the full amount of this reduction of taxation; the effect of which they would feel in a general reduction of the cost of living.

§ 4. **Effect on money wages.** The advance in money wages must, of necessity, be rather vaguely estimated. But long experience has furnished abundant means for trustworthy calculations. It is not at all necessary that there should be a demand for double the number of laborers, to double the rate of wages. A much smaller increase in the demand will suffice, so long as the supply of labor does not meet the demand.

It having been shown that the taxation of ground rents would compel their owners to employ labor in producing something, out of which taxes could be paid while the release of the great purchasing class from heavy taxation would enlarge their purchasing power, it follows that an immediate demand for labor would arise, in excess of the local supply. The degree to

which wages would rise, in consequence of this demand, would largely depend upon the extent of the field over which the new system of taxation was in force. The adoption of just taxation in a single county, or even in an entire State, would cause a great increase of production there; but wages would be kept down, to a considerable degree, by the incoming of laborers from outside.

§ 5. **Immigration and wages.** But the adoption of just taxation, throughout the United States, would cause a rise in wages far too great to be repressed by foreign immigration. Laborers of all kinds have never yet come to America in any one year, to the extent of even one-twentieth part of the home supply. As the new arrivals furnish a market for nearly all that they earn, they do not, at the utmost, furnish an element of competition with native laborers in excess of one-half of their earnings.* If, therefore, the average rate of American wages could be doubled, by causes having a permanent operation, immigration might continue at full tide for many years, before it could seriously affect wages. The truth of this theory may be illustrated by the case of domestic servants. From various causes their average wages in the United States have much more than doubled since 1860. Those who then received \$6 a month could now readily earn \$14, while living in much

*Thus, suppose 800,000 immigrants to arrive in one year, less than half of them would be competitors for wages. Suppose the 400,000 competing laborers to earn \$400 each. They would spend \$350 of this. Half of this would be paid in wages to other laborers, producing what the new-comers wanted. Even if the other half injuriously affected resident laborers, it would amount to less than one cent in each dollar of their annual wages.

greater comfort and having much easier work. The immigration of women of this class has been enormous; but it has never reduced wages. It may well be doubted whether it has even had any material influence in preventing a further advance. All the great advance in the wages of domestic servants has occurred since they began to arrive in great numbers.

We may safely assume that any rise in wages which would result from a reform in taxation, extending over the whole or the larger portion of the United States, would be permanent, notwithstanding any probable amount of immigration.

§ 6. **Amount of rise in wages.** As the purchasing power of laborers would be increased at least 15 per cent. from the instant at which taxes were taken off their purchases, an increase of demand to that extent may be assumed as certain, subject to such reduction of demand as might be caused by the reduced profits of the not more than 50,000 families who would suffer any loss of income through the new taxation. As their losses would not trench upon their usual fund for expenditure, their purchases would fall off only to a very moderate degree. An allowance of \$3000 for each of these families would be ample. This would amount in all to \$150,000,000, or not more than one-tenth of the increase in the purchasing power of the other classes. After making large allowance for a saving disposition among the poorer classes, under their new prosperity, it is impossible to estimate the increase in purchases at less than ten per cent., or 1,000,000,000 per annum. It would probably be much more.

On the other hand, the anxiety of land-owners to put their land to profitable use, the absolute release of all productive industry from burdens, shackles, and restrictions, the untaxed money, untaxed manufactures, untaxed commerce, untaxed agriculture and untaxed credit would all combine to give a sudden and tremendous stimulus to industry. Production, for these reasons alone, could not fail to increase immensely. Adding this consideration to the other, the effective demand for labor could not fail to increase by more than one-third; and this would cause a rise in wages of fully 100 per cent.

§ 7. **Effect on capital.** The owners of capital will naturally desire to know how their interests will be affected. Will not the doubling of wages diminish the profit of capital? No. On the contrary it will greatly increase that profit.

In the first place, it must be remembered that ground rents are *not* capital. Correctly speaking, they are not even true wealth. They are mere taxes upon wealth—instruments by which tribute can be exacted from wealth. We are now considering only genuine capital—true wealth, employed in the reproduction of wealth.

In the next place, capital necessarily depends for its profit upon a large demand for its productions. Modern capitalists are fully aware that great gains can never come from small transactions, no matter how large the profit on each transaction may be. Sales of \$1,000,000 at a profit of 50 per cent. are of small account, compared with sales of \$100,000,000 at a profit of five per cent. The number of those who live

description would of course be absolutely secure; since the only remedy which would be allowed to the state for the collection of taxes would be a sale of some exclusive privilege on land. But buildings and all other improvements on land would be equally secure against all taking *without compensation*. This is not at first sight so clear; and it needs, therefore, fuller explanation.

§ 9. Improvements paid for on tax sales. The exclusive tax upon ground rent would lose its entire character if the state were allowed, under any pretence, to collect it from personal property or improvements. It is a fundamental condition of such a tax that it be collected *only out of rent*. It must, therefore, when payment is refused, be collected only by selling the control of the taxed land to some person, who will not only pay the tax, but will also pay to the landholder thus sold out, the full value of all his improvements. If no one will pay the tax, subject to those conditions, that is conclusive proof that the tax is too high, and that it is in reality based upon an assessment including other values than the mere value of the land. The purchaser in such case would, of course, take the land, subject to the annual liability for taxes; but he would also acquire the same absolute title to improvements which the previous possessor had; so that he, in turn, could not be sold out for taxes without full compensation for improvements. Thus no one would ever pay taxes upon the value of any other property than the bare land.

Universal experience has demonstrated that there would not be the slightest difficulty in carrying such a

system into practical operation. This system has long been in operation, upon a great scale, both in public and private affairs. Wherever ferry franchises belong to a municipality, as in the city of New York, such franchises are sold at auction, at intervals of five or ten years, always subject to two conditions: first, the payment of rent to the municipality; and second, the payment of full compensation to the former holder of the franchises, for boats, piers, houses, and all other structures and materials used in operating the ferry. Street railway franchises are sold in the same manner, for terms of years, by every *honest* municipal body having control of the subject.* So landlords constantly lease their land for terms of years, to men who erect expensive buildings thereon; the landlords covenanting to pay the value of such improvements upon the expiration of the lease. There is no more difficulty in providing for an annual sale of land, if necessary, subject to these conditions, than there is in providing for a sale in every five, ten, or twenty years. A ferry franchise is just as much a title to "land," within the meaning of law, science and common sense, as is any other land title whatever.†

Of course the valuation of improvements would be made upon a common-sense basis. The land-owner,

*The conception of a really incorruptible city council will seem, to most American readers, too wildly improbable for the basis of even a theory. But effete Europe is so far behind us, in the grand march of civilization, that such Utopian bodies are quite common there; and the method of the text is common also.

†Benson v. New York, 10 Barbour, 223, 233.

upon making default in taxes, would be entitled to just as much compensation for his buildings as those buildings really added to the market value of the land on which they were built, but no more. If, as often happens, an expensive building had been put up in a district where it could never be of any use, nothing should be allowed for it beyond the value of its materials, after it had been pulled down. But for any really useful building compensation would be allowed, sufficient to enable the owner to put up a similar building, in similar condition, upon an adjoining tract of land. In short, whatever loss the owner of the building incurred, by reason of his own mistakes or extravagance, he would be left to bear; but whatever value belonged to the building, exclusive of the land underneath it, he would invariably be allowed to retain.

§ 10. The railway problem. This is no place for even a full statement of the great railway problem, with its almost endless branches. Much less will an attempt be here made to give it a complete solution. All that will be attempted is to suggest the close connection between this complicated problem and the simple one of taxation.

It is by no means so clear as it seems to those who suffer from them, that high railway rates are actually unjust. That which is unjust in such cases is generally the fact that the large profits made upon such transactions are in the nature of rent, and equitably belong to the whole community. All attempts to correct this apparent injustice have thus far failed; and it may be worthy of inquiry whether this failure is not

caused by some unrecognized justice in the system complained of. May it not be, that the wrong consists, not in the differential rates, but in the failure of the government to collect any part of these differences for public use?

Are not many of the evils complained of due to inflated nominal values and fictitious securities? That such is the general opinion, is strongly indicated by the stringent prohibition of fictitious stocks and bonds, in the new constitutions of Illinois, Pennsylvania, and other States as well as in the statutes of still more. But if this opinion is well founded the concentration of taxes upon land privileges including railway franchises, will practically settle that question, by taking a very large part of such inflated values for public use.

The complete separation between the ownership of the road and the ownership of moving stock, proposed by Mr. Hudson,* would seem to cover all the remaining ground. Under the one natural tax, the owners of the road would be taxed in proportion to the value of its franchise; but the owners of rolling stock would not be taxed at all. All persons and corporations could operate trains upon the road, subject to general rules. If the people of any place were charged too much for the carriage of their persons and property, they could put their own trains upon the road, on equal terms with all others. This was the original railway idea; and it has been abandoned, not because it is really impracticable, as railway managers pretend, but because it is less profitable to railway

*The Railways and the Republic.

companies than the monopoly which is created by the present system.

§ 11. **Just taxation the remedy for unjust appropriation.** The proposal of a method of just scientific and natural taxation, is so simple and unpretending, that eager social reformers cannot believe it possible that it can carry with it any cure for the evils of our time. They point to the unequal distribution of wealth, the growth and powers of monopolies, the watered stocks and bonds, the bribe-bought franchises, the usurped privileges, the stolen lands, the wholesale appropriation of public property to private use; and they ask how it can be possible that "a mere fiscal reform" can bring relief from any of these evils. Yet it can. No great upheaval of society is needed. No social re-organization is required. No general state assumption of the machinery of production is either necessary or desirable.

It is continually but erroneously denied that the enormous fortunes of the present day are due to land monopoly or to methods of taxation. Fortunes of considerable extent are gained by skill and genius; and there is no good reason why such fortunes should not be encouraged. Bessemer, Edison, Bell and other inventors have deserved wealth; and the capitalists, who made their inventions possible and forced them upon public attention, deserve it too. But all the unwieldy fortunes, and all which have had an undesirable origin, owe their existence to some form of monopoly, which could not have existed under the natural system of taxation.

The enormous wealth of British dukes and of our

own—or lately our own—Astors, is of course due entirely to the comparative exemption of ground rents from taxation. But all the excess of wealth gained by railway kings, above a liberal compensation for shrewdness, sagacity, and foresight, is due to precisely the same cause. It has been shown that the chief value of railways consists in exclusive and peculiar privileges upon land; and the greatest part of this value arises from its comparative exemption from taxation.

The great monopolies, which have grown with such startling rapidity, into such overshadowing power, owe all their wealth and power to their manipulation of railways and of duties on imports. Under natural taxation there would be no import duties to manipulate; and the railways could not afford to be manipulated.

§ 12. **“Watered stocks.”** Let us pass to the consideration of the inflated stocks and bonds, which are made the excuse for extortion. What can taxation do with them? The answer is so plain that one wonders at the question. Even without the adoption of the full reform here proposed, the change of a few lines in the tax laws would put a speedy end to these abuses. If all corporate securities were made subject to the general tax rate, at their full nominal value, the “water” would be let out of them within three months. “Yet show I unto you a more excellent way.”

Stock inflation does not really enable railways to charge high rates. The Erie line cannot charge more on through traffic than the Central. And, upon the whole, those who use railways do not pay more than

the service is worth. The real evil is that a very great part of the value of such service consists in the use of the land over which the railway runs, that this portion belongs to the public, and that hardly any of it is taken, as it ought to be, for public use. The proper remedy is not to give service to those who use the railways, for less than it is worth, but to use the same share of the value of railway land for public purposes, as in the case of other lands. When this is done, the entire people will receive through relief from other taxation their share of the value which they have given to the railways. And, at the same time, it will become impossible for railway companies to maintain inflated stocks and bonds; because to do so would be to invite greater taxation than they could bear.

§ 13. **Corrupt grants.** So as to bribe-bought franchises. It would be quite unnecessary to *rescind* them. It would only be necessary to *tax* them on the basis of their true value, which is pure ground rent. Thus American street railroads, which generally owe their franchises to the grossest corruption, and which charge fares of five or ten cents for a service which costs less than half that sum, need not be interfered with. Under a proper system of taxation, it would make little difference whether the fares were reduced or not. If the fares were reduced to three cents, ground rents would be increased, and the city would derive greater revenue from its taxes on those rents. If the fares remain unchanged, the value of the railroad franchise would be so much greater, and the tax upon that would be greater in proportion. It would make little difference, even to those who travelled in

the cars. If the fares were reduced, the travellers would have to pay more rent for their homes. Thus they would contribute as much to the public funds in one way as in the other.

At first sight it would seem that the redress thus obtained would be very inadequate. But it would not. Of course, no past wrong can be entirely obliterated. No scheme of social reform seriously proposes to secure compensation for all the past. The world does not contain wealth enough to pay damages for all past injuries. But the taxation of all franchises, on the basis of their present fair market value, with the concentration of all taxes upon ground rents, of which these are a part, would take for the public benefit all that the public could have secured, under the most honest and impartial sale of such franchises. It will also tax those corporations which obtained their grants for nothing, just so much more than it will tax those which paid a fair price.

§ 14. **Taxation the best remedy for past corruption.** For these franchises could not, upon the average, have been originally sold for more than they would now pay under such taxation. If they had been sold at auction for a sum in cash, free of taxation, they would never have brought a sum which, however well invested, would produce an income equal to the average annual tax. If new franchises should be sold, free of taxation, to the highest bidder for an annual payment, that payment, in the long run, would rarely, if ever, equal the taxes which would be paid under this system. Therefore it would be better, in the long run, to give these franchises to the corporations which

direct the confiscation of the old common lands? Shall it undertake to reclaim literal possession of "the land for the people"? Let us not waste time in discussing the question on moral grounds. Rightly or wrongly the moral sense of the people would revolt at such a proposition. And if it did not, yet the immense complications involved in awarding compensation for improvements would break down the whole project. It is not worth while to inquire into the abstract morality of an utterly impracticable scheme.

But in Great Britain and America alike, the adoption of a just, natural, and uniform method of taxation would give an immediate remedy. Without confiscation, without violence, without any social upheaval, it would take for public use about half of the revenue thus misappropriated, which is no more than ought to be taken, in any case; while it is far more than can ever be obtained in any other way.

"The best remedy for injustice is simple justice."

§ 16. **Reform in government.** By this time, it is hoped, the attentive reader will have begun to see that the adoption of natural taxation leads, by an easy course, to reform in all methods of government and the abolition of corruption in public office, by removing most inducements to corruption. It would nearly extirpate the bribery of legislatures and councils, by leaving nothing for any one to gain by offering bribes. Not absolutely, of course. It cannot be too often repeated, that nothing in this world is or ever will be perfect. But this reform in taxation would remove most of the present inducements to bribery, falsehood and fraud in public affairs.

§ 17. Abolition of fraud and bribery in tax matters.

The most prolific sources of these evils are directly connected with bad methods of taxation. Every change in laws imposing taxes upon commodities, either by a tariff or by excises, affects so many private interests that all parties agree in charging wholesale bribery and corruption upon each other, and none seriously claim to be innocent. This branch of the subject has already been sufficiently treated. The innumerable frauds and perjuries which arise out of the taxation of personal property have also been referred to. All these abominations would disappear, with the acceptance of natural taxation. Nobody would be required to make any return of his wealth; and no attention would be paid to it, if he made any. There would be but one thing to be taxed; and its value would be ascertained by independent investigation. Valuations of land might be compared with the rents actually paid; but those rents would be learned by inquiry among tenants, not among landlords. Large land-owners might attempt to bribe assessors, as they do now. But the value of land is so easily determined, that other land-owners could be provided with an ample remedy, in an application to the courts to make assessments just and uniform.

§ 18. Special local assessments dispensed with.

The complex system of special assessments for local improvements, which is indispensable under all existing methods of taxation, with its allowance for "betterments," to use a current English term, would become unnecessary. All improvements could be made at the common expense; because whatever im-

provement might thus be made in the value of adjoining property would all be an increase in the value of the mere land; and this addition would lead at once to a permanent increase in the tax upon that land, to a proportionate amount. Such assessments have always been a fertile source of injustice, inequality, and fraud. They are, inevitably, largely based upon guesswork; whereas the subsequent taxation would be measured by actual, known values.

§ 19. Bribery made unprofitable. The most appalling developments of crime in American government, however, have taken place with regard to the grants of special privileges on land, especially to railway, gas, electric light, and similar companies. The notorious robbery of the United States by the Union Pacific and Central Pacific companies, to an amount exceeding \$100,000,000, is only one of many instances, although the most prominent one. The repeated purchase of the Broadway Railroad franchise from corrupt aldermen and legislators, repeatedly set aside by the courts, has attracted more attention than hundreds of similar crimes. But every street railroad franchise in New York has certainly been procured in precisely the same way; and probably every such railroad in the country, the franchise of which was worth anything, was chartered upon similar terms. Gas companies, electric light companies and steam heating companies, all pay heavy bribes for permission to lay their pipes or wires in city streets.

The taxation of all these franchises, at their full value, on the same basis with other privileges over land, would make it impossible to obtain them for

nothing. No bargains with aldermen could relieve them from paying handsomely for their annual value. There would no longer be an eager crowd of bribe-offerers; and therefore the crowd of bribe-takers would cease to buy their way into municipal government. The bribes offered to aldermen would be too small to repay the aldermen's bribes to their electors. Such franchises would be generally given to those who would accept them on terms most favorable to the public, with respect to low charges, good accommodation, and faithful service. No money would be paid, either to the municipality or to the aldermen; for taxes would have to be paid; and they would automatically increase, as the value of the franchises increased.

§ 20. The tenement house problem. The rapid increase of low-class tenement houses in large American cities, especially in New York, has excited the just anxiety and alarm of our most thoughtful citizens. Many plans of restriction and regulation are urged. They all aim at results which are eminently desirable. But they all involve large expenses, which must be finally borne, under our present methods of taxation, by the very tenants whose extreme and degrading poverty is the very cause of the difficulty. It is perfectly true that such houses do not afford sufficient space and air to sustain health. It is often true that they do not furnish accommodations necessary to maintain decency; although much has been done of late years to improve them and to keep them under careful inspection. But every good thing is costly; and who is to pay the cost? If the landlord is forced by law to provide better accommodations, he must

charge more rent for the house; and it has been already shown that he can, in the long run, compel the payment of such additional rent; because, if he could not, no more tenement houses would be built until tenants were able and willing to pay a fair rate of interest upon all the cost of building such houses, including all compulsory improvements.

Or suppose that the cost of such improvements is paid by the government. The expense would be paid out of taxes. Who would pay the taxes? A full share would fall upon these very houses; and, as the cost of such improvements when made by the city would be far greater than it would be if they were made by the landlord, the probability is that the tax upon the class of houses thus State-repaired would be nearly as great as the cost of private repair would be. Be it more or less, this tax must be finally paid by the tenants. And in this event, a large share of the tax would fall upon other buildings, occupied by a class but little less poor than the occupants of tenement houses; and thus they would be dragged down into actual poverty.

The next result would be that the tenement dwellers would be so impoverished by the increase of their rents, as to deprive them of some portion of the food or clothing which they had with difficulty managed to provide under the original rent. All of them would suffer inconvenience; most of them would suffer actual privation; their earning power would be reduced; and many of them would be driven out altogether, by the bidding of other tenants who had previously occupied houses or parts of houses of a slightly higher grade,

which they had been compelled to give up by the pressure of taxation, or which, while they were much better than the tenements had been before tenements were reformed, were no better than the reformed and improved tenements.

Any compulsory improvements of this kind must inevitably make the lot of the lower class—the “residuum,” as it is called—harder than ever.

As usual, it will be said that “this is all theory.” Unfortunately it is a theory which was never much thought of, until practical experience called attention to it. The dwellings of the poor have been torn down and rebuilt with improvements, upon a large scale, in Paris, London, Berlin and other cities, and always with precisely these results. Those who occupied the old, condemned buildings did not return to the new ones. They simply could not afford it. Their places were taken by others, who had always occupied rather better homes, and who were driven by increased taxation to descend a step in the social scale, finding in the new dwellings, homes not quite equal to their old abodes, but much better and more expensive than the buildings which had been destroyed as uninhabitable. The “residuum” were driven into more degraded conditions than those under which they previously lived.

§ 21. *Its solution.* Must we then abandon all hope of improvement in the homes of the poor? Not at all. While insisting upon renovations and necessary improvements, *let us remove all taxes from houses.* This will make houses more abundant; this will make house rents cheaper; this will enable house owners to fur-

nish necessary improvements, without increasing rents or losing interest on their investments.

Let us work out an illustration. Twenty thousand dollars is a reasonable estimate for the price of many tenement houses in New York; half for the house and half for the land. Houses being usually assessed for 70 per cent. of their full value, the house, as distinguished from the land, would be assessed at \$7000, and taxed, at present rates, \$133. If this tax were taken off, representing, as it does, a capital of about \$2600, the owner could afford to spend \$2000 on improvements without raising the rent, and yet make a profit. Competition with other house owners would eventually compel him either to spend about as much or else to reduce his charge for the house by more than \$100 a year. Legislation might hasten his action or require him to make the improvements, instead of lowering his rent. In either case the tenants' condition would be greatly improved.

Without deciding that no other reform is necessary or desirable, it is at least demonstrated by long and wide experience that no permanent and complete reform of the tenement house is possible, without first abolishing all taxes on buildings.

§ 22. Summary of conclusions. The adoption of natural taxation would obviously relieve the great mass of the people from all taxes and tax-burdens whatever, except rent; which they now pay, in addition to taxes.

It would put an end to that artificial concentration of wealth in the hands of a few, which is now making such rapid progress.

While leaving natural inequalities in human skill, intelligence, industry, and productive power to produce their natural effects, in moderate inequalities of wealth, it would gradually remove those unnatural and monstrous inequalities which now exist, with no benefit to any one and with vast injury to society as a whole.

It would put a premium upon improvement and industry, by relieving them from double taxation; while it would lay such burdens upon mere "dogs in the manger," as would drive them into productive industry.

It would secure to the owner of every product of human industry and skill an absolute and indefeasible title to such property; so that it could not be taken from him even for taxes, without full compensation for its market value; a title, therefore, far superior to any which can now be held by any human being.

It would increase the demand for human labor in the production of good things for human use, to the utmost possible limit; thus causing a general rise in wages of at least 50 per cent. and more probably 100 per cent.

It would relieve wages from all present forms of taxation; thus increasing the net income of laborers, at once and forever, by at least 15 per cent. more. Whether "times" were good or bad, wages high or low, the net income of every laborer would always be *at least* 15 per cent. higher than it could possibly be under the present system, at similar periods.

It would encourage capital to free investment, by re-

lieving it from all fear of punishment for enterprise, under the name of taxation.

It would solve the American currency problem, by opening banks of deposit in every nook and corner, free of taxation; thus giving to every farmer precisely the same facilities for exchange as are enjoyed by the wealthiest merchant or manufacturer, and making a large supply of either coin or notes superfluous.

It would largely reduce the share of taxes paid by farmers, because their share of ground rent is smaller than is that of other land-owners; while it would not increase the present burdens upon residents of towns and cities, since they would pay nothing but rent; and that they pay now, in addition to taxes.

It would remove all shackles from commerce, trade, manufactures, agriculture, and industry of every kind, giving them a stimulus such as they have never known.

It would throw open to all men some land, upon which they could make a living, without requiring them to invest any capital in its purchase, and at no greater rent than they could reasonably afford to pay.

It would, therefore, enormously increase the production and wealth of the nation, while securing a fair, though not literally equal, distribution of that wealth.

It would reform government, by lifting the masses out of the degrading conditions which make them an easy prey to corrupt influences, by removing all temptation to fraud in matters of taxation, and by destroying the chief inducements to the corruption of legislatures and councils.

It would not at once make men moral, industrious,

or intelligent; it would not give to any man a dollar which he did not earn for himself; it would not open any "royal roads" to wealth; for "royal" ways are ways of idleness.

But it would open fair and equal opportunities to men of equal capacity and industry; and it would remove nearly all artificial hindrances to the success of the honest, intelligent, and industrious.

CHAPTER V.

THE A B C OF TAXATION

THREE GENERIC PECULIARITIES OF LAND

A

THE FIRST GENERIC PECULIARITY OF LAND

GROUND RENT A SOCIAL PRODUCT

GROUND RENT, WHAT LAND IS WORTH ANNUALLY FOR USE, IS A CREATION OF THE COMMUNITY, A SOCIAL PRODUCT—ALL LOCAL TAXES ARE SPENT UPON THOSE THINGS WHICH MAKE AND MAINTAIN GROUND RENT.

I.—Definition of Ground Rent.*

(1) "Ground rent is what land is worth for use." Strictly speaking, the "worth for use" attaches not to the land itself, but to scores of things exterior to the land and through it available for use, so that, as applied to urban land, the following would be more accurate:

(2) Ground rent is the annual value† of the exclusive use and control of a given area of land, involving the enjoyment of those rights and privileges‡

*See Appendix F of The A B C of Taxation.

†The rental value and the capital value of land differ in that the one represents what land is worth for use during any limited period, while the other represents what it is worth for "perpetual" use.

‡"Rights and privileges" are here used in their legal and not in a moral sense.

pertaining to the land which are stipulated in every title deed, and which, enumerated specifically, are as follows: right and ease of access to water, health inspection, sewerage, fire protection, police, schools, libraries, museums, parks, playgrounds, steam and electric railway service, gas and electric lighting, telegraph and telephone service, subways, ferries, churches, public schools, private schools, colleges, universities, and public buildings—utilities which depend for their efficiency and economy on the character of the government; which collectively constitute the economic and social advantages of the land; and which are due to the presence and activity of population and are inseparable therefrom.

II.—The Nature of Ground Rent.

As defined by Mr. Shearman, ground rent is, in its nature, "a tribute which natural laws levy upon every occupant of land as the market price of all the social as well as natural advantages appertaining to that land, including necessarily his just share of the cost of government." It is found operative in every civilized country, automatically collecting "from every citizen an amount almost exactly proportionate to the fair and full market value of the benefits which he derives from the government under which he lives and the society which surrounds him." It is a tribute, "a tax, just, equal, full, fair, paid for full value received." "It is not merely a tax which justice allows; it is one which justice demands. It is not merely one which ought to be collected; it is one which infallibly will

be and is collected. It is not merely one which the State ought to see collected; it is one which, in the long run, the State cannot prevent being collected. . . . Seldom has there been a more beautiful illustration of the wise yet relentless working of natural law than in the proved impossibility of justly collecting any tax other than upon ground rent. It shows that nature makes it impossible to execute justly a statute which is in its nature unjust." This definition of Mr. Shearman is offered as one difficult to be improved or condensed.

Such, it may be added, is the nature of rent—ground rent—that all the public and private improvements of a community to-day are reflected in the land values of that community. Not only this, but the value of all those ideal public improvements conceived of as being possible under Utopian conditions would be similarly absorbed, as it were, in the ground, would be reflected in its site value. Stand before a big mirror and you will see your image perfectly reflected before you. If you are a man scantily, shabbily clad, so is the image in the glass. The addition of rich and costly attire is imaged in the glass. Load yourself with jewels and fill your hands with gold; in the mirror, true to nature, is the image and likeness of them all. Not more perfectly, nor more literally, is your image reflected in the mirror than are public improvements reflected in the value of the land.

One peculiarity in the nature of ground rent to which we urge your attention is the subtle relation existing between this natural income and the artificial outgo of the public taxes—a relation not unlike that

of cause and effect, by which the wise expenditure of the tax contributes, in a manner especially direct, to the element of ground rent.

Simple illustrations may help to open the mind to a consideration of whatever may seem novel or strange in the re-statement of a familiar truth. For instance: The cook turns the crank of her coffee mill; the whole coffee that was in the hopper comes out ground coffee, but it is coffee just the same. The Minneapolis miller lets on the water that turns the crank of his flour mill; the wheat that goes into the hopper comes out flour, wheat in a more subtle form. The people turn the crank of a great tax mill; the taxes that go into the hopper come out ground rent, no tax quality lost, no rent ingredient added.

Or again: The myriad springs and rivulets of the great Mississippi are continuously delivering themselves in one great river to the sea. Suppose that some day you should read in the weather bulletin that nature had decided to suspend the regular return of these waters in clouds and rain and dew to their point of departure. How long would it be before the Mississippi Valley would be as parched and dry as the Desert of Sahara, or the North End of the City of Boston, or the East Side of the city of New York?

Or, more pertinent still, because more vital: The constant round of taxes and ground rent is the blood circulation of the body politic. When the heart throws out the life blood through the arteries, if that blood does not return through the veins, the patient dies—not of heart failure, but from loss of blood. When the public heart charges the arteries of the land with

ground rent, if that ground rent does not return, the body politic is prostrated or enervated by loss of blood. The body politic to-day, like a man with a ravenous appetite, is cleaning its plate of all the millions a year that it can earn, and mortgaging the future for nearly as much more, always eating, yet always hungry, and simply because the best part of its millions of dollars' worth of arterial life blood, instead of coming back to the public heart, ebbs rapidly away through severed blood vessels in the private appropriation of ground rent.

These illustrations of the miscarriage of a beneficent provision seem to hint strongly at the true theory of ground rent, as waiting to be naturally developed under a natural law, and as a natural social product.

III.—The Operation of Ground Rent.

Critical consideration is invited to Mr. Shearman's statement that the operation of ground rent is to exact from every user of land the natural tribute which he ought to pay in return for the perpetual public and social advantages secured to him by his location, a part of which natural tribute now goes to the State in the form of a tax, and the remainder to the landlord in the form of rent. Objection to monopolies and special privileges is that they participate in the private appropriation of an undue share of this natural tribute, and while recognising that in the end all quasi-public, as well as all public service, should be at the least practicable cost to the people,

it is held that meantime whatever monopoly is enjoyed should be obliged, through taxation, to repay to the public a full and fair equivalent for the privilege conceded to it.

The monopolies and special privileges which should properly share with land values the burden of taxation, may be partially enumerated as follows: the private appropriation of natural resources such as gold, silver, copper, iron, and coal mines, oil fields, and water powers; all franchises of steam and electric railways; all other public franchises, granted to one or several persons incorporated, from which all other people are excluded, and which include all "rights, authority, or permission to construct, maintain, or operate in, under, above, upon, or through any streets, highways, or public places, mains, pipes, tanks, conduits, or wires, with their appurtenances for conducting water, steam, heat, light, power, gas, oil, or other substance, or electricity for telegraphic, telephonic, or other purposes."*

The reforms contemplated by the single tax would leave the State and the individual to deal together exactly as individuals deal with one another in ordinary business. Persons desiring special privileges would rent them from the State or the municipality, just as they now rent them from individuals and corporations, and on similar terms, fixed from year to year. When paid for in this way, the special privilege feature would be eliminated. Then there really would be no special privileges, and there would be need of

* Quoted from the Ford Franchise Tax Act of New York.

no other taxation. Hence, we say, the least the public can do is to tax and collect upon these special privileges, including ground rent, a sum sufficient to defray all public expenses.

The value of these special privileges is held to be ground rent, which in turn is held to be very largely, if not entirely, a social product.

IV.—The Office of Ground Rent.

The true office of ground rent is that of a board of equalization—equalization of taxation, of distribution, and of opportunity. The tendency of an increase in the tax upon ground rent is not only to equalize taxation and distribution, but to equalize the opportunity of access to what is erroneously called the land, which of itself, even in a city, would be of little or no use if it had a perpetual fifty-foot tight board fence around it. In this clear distinction between land and land value, which cannot be too critically noted, may there not be found an explosion of the notion that a man has a right to the private appropriation of ground rent, because his father bought and paid for the land fifty or one hundred years ago?

The question is: When he bought the land fifty or one hundred years ago, did he buy and pay for the land value of to-day? In 1686 a company having five shares and five stockholders bought a lot of land in Philadelphia for \$5. In 1900 the same company, with its five shares and five stockholders, sold the value of the same land for \$1,000,000. Does it sound reasonable to say that for one pound sterling in 1686

these five men bought and paid for the \$1,000,000 land value of 1900, with its ground rent of \$40,000 a year? Would not such a sale in 1686 of goods to be delivered two hundred and fourteen years later be dealing in futures with a vengeance? True it is that the land sold to-day is the same land bought in 1686. But it is just as true that its value to-day is not the value of the land itself, but is the value of the rights and privileges pertaining thereto, and exterior to the land itself. The demand that enhances land value is not for land itself, but for the command of these same rights and privileges.

Land value being a social creation,* and rent being socially maintained, equal access to the rights and privileges pertaining to the land can be promoted by the taxation of ground rent alone, and by this means only. Ground rent, the natural tax feeder, extracts from the user of land the exact measure of his ad-

*Professor J. B. Clark, then of Smith College, now of Columbia University, said, in a discussion at Saratoga, N. Y., in 1890:

"The community has created the value that resides in land, and whoever usurps the ownership of it deals a blow at the community. What is more, he strikes at the basis of the civil order, since governments have been evolved in and through the effort to secure to each producer the value that he brings into existence, and it is anarchic in principle to habitually counteract this effort.

"Of the wealth that resides in land, the State is certainly the creator and the original and lawful owner. As a sovereign it has a certain ultimate ownership of all property. Treasures of every kind are, in the last analysis, its own. As the creator, not of the substance of the earth, but of the value residing in it, the State has a producer's immediate right to use and dispose of its product. If any theory depreciates either the State's reserved right over all wealth or its special producer's claim to the wealth residing in land, so much the worse for that theory."

vantage over other men in his exclusive enjoyment of rights and privileges pertaining to his own location, and the whole tendency of the taxation of ground rent is to equalize participation in these common rights and privileges, by commuting into dollars and cents, which can be divided, those indivisible advantages of location, which can only be enjoyed individually. Whatever of rent goes into the public treasury tends to a fairer distribution of produce in wages earned. Whatever of taxation is transferred from other wealth to ground rent leaves so much more wealth to be distributed in wages.

Again, it is submitted that the true office of ground rent is to offer a communal shoulder suited to bear all the burden of common needs, leaving produce—current wealth—to be distributed, as fast as produced, in wages and interest, the total volume of which will always be increased by the amount of rent appropriated through the taxation of whatever of economic rent there is in special privilege.

Ground rent being a social product, is not its private appropriation a special privilege?

V.—The Cause of Ground Rent.

The dimensions, as well as the continuous character of the contribution made by the people to the growth and volume of ground rent, are seldom measured—by many persons hardly suspected. Almost anything else that he owns, except land, a man may appropriate, destroy, tear down, burn down, remove, consume, change in form, wear out. To the land itself he can-

not do any of these things. The value of its use is ground rent, an annual value, which is all that the owner of land can consume each year. The land value itself survives, and usually intact. People speak of owning land, because they or their fathers have bought and paid for it.

A simple illustration will indicate how a disproportionate reliance may be placed upon this argument, considered in the light of all the causes contributing to the value of land. Suppose, for instance, that a vacant lot was bought fifty years ago for \$1000, which to-day is worth \$10,000. The chances are that when the purchaser paid his original \$1000, the people, in one capacity or another, paid for the same year \$50 to maintain that purchase value, and that for forty-nine years thereafter the people have paid in annual arithmetical progression up to \$500 for the present year. The purchaser paid \$1000 in one payment. The people have paid during the fifty years an average of \$250 a year to maintain this value. On the part of the people it has been not unlike a continuous purchase in the proportion of \$250 a year of the people's tax money to \$50 a year of the purchaser's interest money.

In addition to whatever income the purchaser has received, he possesses to-day \$10,000 worth of land, while the people possess nothing except an outgo of 5 per cent. in maintenance, offset in small part by an income of $1\frac{1}{2}$ per cent. in tax. Such an inheritance would usually be counted worse than nothing. Is it not reasonable that the community should derive profit from its part in this transaction, by appropriating to its own use the one-half at least of that ground rent

that is manifestly created by the simple expenditure of its taxes? Why should not taxes, all of which are spent upon the land, be taken from the land?*

Ground rent may be said to result from at least three distinct causes, all connected with aggregated social activity:

(1) Public expenditure: All wise public expenditures are direct feeders of ground rent. Streets, lights, water, sewerage, fire and police systems, public schools, libraries, museums, parks and playgrounds, all contribute to enhance the value of land, and a corresponding depreciation would follow the abolition of any of these systems. It follows, therefore, that expenditure for maintaining these services constitutes the maintenance of ground rent, if not in a literal sense, at least in an all-sufficient common sense.

(2) Quasi-public expenditure: In the same way, the expenditure by the municipality or by private corporations for steam and electric railways, gas and electric lights, telegraph and telephone facilities, subways and ferries, contributes to the value of land, at least to the extent of their actual cost.

(3) Private expenditure: Equally, and by parity of reasoning, private or voluntary social expenditure

*E. Benjamin Andrews, formerly President of Brown University, said at Saratoga, N. Y., in 1890:

"To turn the golden stream of economic rent partly or mostly into the State's treasury, where it would relieve the public of taxation in burdensome forms, seems to be extraordinarily desirable. I by no means concur in all the reasons which many assign for this; nor should I expect from it, even if carried to Mr. George's length, more than half the benefits to society which he anticipates. Still the proposition to lay the main tax on land impresses me as just, safe, accordant with the best canons of public finance, and in fact, every way excellent."

for churches, private schools, colleges and universities, all private buildings, apartment houses, stores, and office buildings, contributes to ground rent, the annual value of land.

In an enumeration of the causes of ground rent, population is usually the one first named. But a passive population gives little value to land; it is rather the activities consequent upon the character of population that create the value.

It is generally conceded that, as a matter of fact, ^{ground} rent is what land is worth annually for use; but it is of far greater importance to understand clearly what is the source of ground rent, and especially to what extent it may be regarded as a social produce. Inasmuch as all the contributions representing these activities, so far as enumerated, are from the treasuries of the people, it is correct and proper to say that ground rent is chiefly and peculiarly a social product.

From one point of view (that of demand) it may be said that the value of all commodities is a social product. But when we come to consider the other side of the value problem, we find that most other commodities, e. g., houses, increase or decrease at man's will, according to the principle of cost, the value being a resultant of a balancing of social desire against social cost.

With land it is more generally true that the quantity either cannot be increased at all or can be increased only at increasing cost; and hence the practical determinant of the value of land is almost entirely in the social and private activities that make the use of land desirable.

VI.—The Maintenance of Ground Rent.

So far as the cost of streets, lights, water, sewerage, fire, police, schools, libraries, museums, parks, playgrounds, steam and electric railways, gas and electric lights, telegraph and telephone companies, subways, ferries, churches, private schools, colleges, universities, public buildings, well appointed houses, stores, and office buildings is what constitutes the cost value of the land, just so far the maintenance of all this public or social service constitutes the maintenance of ground rent.

A simple illustration may help to an appreciation of the absurd absence of a true economy in tax affairs to-day. A landlord owns a factory which requires steam power, and which is useless and worthless without it. Another man owns a steam plant, and furnishes steam to factories at so much per horse power. The man who hires and uses the factory pays factory rent to his landlord, who furnishes the factory, and steam rent to the man who furnishes the steam. He would smile if you should talk to him about paying his steam rent to the landlord who does not furnish it. In vivid contrast with this sensible performance we may take the case of another landlord who owns a store, requiring public service and convenience, and useless without it. The municipality owns and runs a public service plant, and furnishes public service at a cost of so much per thousand dollars' worth. The man who hires and uses the store pays store rent to his landlord, who furnishes the store, but, by a strange perversion, he pays his public service rent to the same

landlord. Should he not pay his public service rent to the public that furnishes it?

Inasmuch as all these contributions to its maintenance, so far as enumerated, are from the treasuries of the people, what can ground rent possibly be, if it is not a social product?

VII.—An Illustration: The Ground Rent of Boston.

A dense skepticism and, indeed, a denser ignorance, seem to obtain even in regard to the simple fact that there is such a thing as ground rent, and yet much more in regard to what is the volume of ground rent. It has been questioned whether the ground rent of the City of Boston, for instance, under the single tax, with the accompanying shrinkage in speculative values, would exceed to-day 5 per cent. on the assessed valuation of land, or \$32,000,000. Indications are that the net rent of the land itself might not, but our investigations are directed to ascertaining not the net, but the gross, ground rent, which is net rent plus the taxes.

In a systematic attempt to dispel these clouds of ignorance and skepticism—now to be found in surprisingly high places—and to demonstrate beyond a reasonable doubt about how much gross ground rent there is in the city of Boston, actual sales for the year 1902 and actual rentals have been collected from official sources.

One hundred and twenty pieces of real estate* in various sections of the city are shown to have been

*An exhibit of these specimen cases in detail will be found in Appendix G of The A B C of Taxation.

sold at prices averaging one-fifth higher than their assessed valuation, indicating that at least in these one hundred and twenty cases the valuations were less than five-sixths of the selling price.

Landlords and real estate men are the best judges of the following calculation which, taking into account the fact that the prices given in these tables are those indicated by the revenue stamps on deeds, assumes that the buildings sold for one-third more than their assessed valuation:

Deducting from the total of prices indicated by the footing of the 120 sales.....	\$7,291,375
Four-thirds of assessed valuation of buildings.....	2,772,933

Would give perhaps a fair estimate of what the land sold for	\$4,518,442
To this it is necessary to add the capitalized tax upon the land for the same year, 1900, \$3,758,-600 x \$14.70 (the number of dollars tax per thousand) x 20 (the number of years' purchase)	\$1,105,028

In order to get the gross capitalized ground rental value of the land.....	\$5,623,470
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Of which the assessed valuations were only two-thirds.

Seven hundred and fifty-one rentals* of estates, together with their assessed valuations, averaging \$47,680 each, were also obtained from reliable sources. In the total for these it is found that the net rent is 5 per cent (4.8), and the gross rent—net rent plus taxes—is

*An exhibit of these specimen cases in detail will be found in Appendix G of The A B C of Taxation.

6 per cent of the assessed valuation. That is to say, the net value, based upon net income to the owner, corresponds with the assessed valuation, and is five-sixths of the gross value, based upon what the user pays for the land. It is probable that these estates are in the aggregate improved to less than one-half of their normal efficiency, and hence the income which they now yield is less than 5 per cent of the price that they would actually sell for.

In the absence of contradictory or correcting testimony, it is fair to ask the reader to accept these lists of 120 sales and 751 estate rentals respectively as an indication of the ratio existing between assessed valuation and selling value.

Based upon the foregoing ratio, the following conservative estimate of the gross land value of Boston is submitted for scrutiny and criticism:

If the assessed valuation* of Boston's land for 1907, which is in round numbers.....	\$653,000,000
Is five-sixths of its selling value, then the addition of one-fifth.....	130,600,000
Would give us as the net selling value.....	\$783,600,000
Adding to this the capitalized value of the amount of tax now on the land, \$15.90 per	

*The official figures are:

	Valuation.	Rate.	Tax.
Land	\$652,995,300	\$15.90	\$10,382,700
Buildings	417,869,400	15.90	6,646,200
Personalty	242,606,857	15.90	3,857,435
	\$1,313,471,557		\$20,886,335

thousand on \$653,000,000, or \$10,382,000 at twenty years' purchase**.....	207,600,000
--	-------------

Would give us as the true capitalized ground rental value.....	\$991,200,000
Add moderate estimate for franchises, say....	108,800,000

And we should have as a basis of assessment under the single tax a total capitalized ground-rental value of at least.....	\$1,100,000,000
At 5 per cent. this would indicate for Boston a ground rent of.....	\$55,000,000

or considerably more than double the total taxes of Boston.†

Even if \$5,000,000 be deducted from this \$55,000,000 for error in estimate, there will still be left \$50,000,000, or more than double the amount of present taxes.

It is believed that sufficient reason is found for taking in taxation five-tenths, instead of two-tenths, in the fact that since ground rent is a social product its taxation is in no way a burden upon business or industry.

Having now finished the special task of trying to explain ground rent in its leading features, it is a privilege to offer a few words of tribute—and sugges-

**See p. 119, lines 5-9, and p. 126, lines 5-10, and p. 35 (g), of The A B C of Taxation.

†Boston's income from taxation for 1907 was:

Land values	\$10,382,628
Buildings and other improvements	6,644,121
Personal estate	3,857,449
Polls	369,966
Corporation taxes	1,087,793
Liquor licenses	1,079,585
Boston's total city tax (including State tax)	\$23,421,542

tion—to those landlords who are open to a discussion of this vexed question of taxation.

Next to that of the farmer, the province and function of the landlord would seem to be one of the greatest in its importance to his fellow-men. The farmer is the commissary of subsistence; the landlord is quartermaster of the camp. The farmer feeds the world; the landlord houses the world. Besides being the natural housers and the natural tax gathers, the landlords are also the natural assessors. "Nobody runs after the assessor to tell him what property is worth. Everybody runs after the landlord to tell him what his land is worth." With this triple responsibility and privilege of housing and tax collecting and tax assessing, landlords ought to be, as, if they paid all the taxes, they would be, the natural guardians of the public treasury against wastefulness and misapplication, for the simple reason that ground rent, while increased by every wise outlay, is decreased by every unwise expenditure.

There remain to be considered five points of special application to the landlord's interest, viz.:

The taxation of real estate only; the tax imposed by time; corresponding exemptions; the exemption of assessed value; and the single tax as an income tax.

VIII.—The Taxation of Real Estate Only.

Every single taxer, no doubt, may be relied upon to vote for the concentration of all taxes upon real estate (land and buildings), as a rapid transit measure toward his preferred exemptions of buildings also. Such a course would secure a basis for honest assessment

and collection, and would eliminate the possibility of evasion, but how much of an advance would this be toward a just equalization of the burden? The landlord of a new building would still be paying, as he does now, the taxes of an adjoining landlord of old buildings or none at all. He would be worse off by his disproportionate share of taxes transferred from personal property.

If Smith owns land and buildings in equal amount he will pay, for each \$1,000 of land, taxes upon.....	\$2,000
If Jones owns land with worthless buildings, or none at all, he will pay, for each \$1,000 of land, taxes upon	1,000
If Brown owns his own house, worth three times as much as his land, he will pay, for each \$1,000 of land, taxes upon.....	4,000

Under the theory that taxes are absorbed in maintaining the value of the land, as indicated by the equal or even greater price that land often commands when practically unimproved rather than improved, it is held that the proportion of advantage afforded by the public outlay is fairly represented by the value of the land. If this theory is sound, then neither Smith, who pays twice as much as Jones, nor Brown, who pays four times as much, has any greater command per \$1,000 than has Jones over the facilities afforded by society for the promotion of private business.

IX.—The Tax Imposed by Time.

A representative real estate man of Boston has said that the lifetime of the best new buildings in the city

cannot be figured to exceed two score years, and that with swiftly accelerating changes they will have to give way in forty years to a new and better order. Granting these facts, if during the forty years the new buildings shall yield to the landlord interest upon their cost and 2 1-2 per cent annually for depreciation, he is at no disadvantage from the necessity of tearing down and building greater, while both labour, which builds buildings, and business, which uses buildings, will be greatly benefited by such a process. What a paradise any American city might be made if built over new every forty years! Yet the users of the buildings can well afford to pay 2 1-2 per cent a year for such a luxury.

Any sensible readjustment and equalization of taxation should take this annual depreciation directly into account as a tax imposed by time upon all products of labour, a tax so heavy as to seem an instant excuse for exempting them from all other taxes.

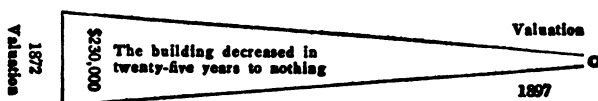
On the other hand, while time is engaged in the destruction of the building, it is occupied in the construction of the land value.

A conspicuous example of the contrariety of this time agency is found in the biography of a once modern building that in 1870 supplanted a colonial residence which for several years previous to 1809 was the residence of John Quincy Adams.

AN OBJECT LESSON.

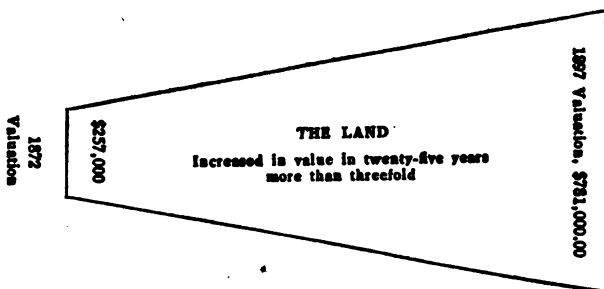
Growth of Land Values vs. Decay of Buildings

The Hotel Boylston, S. E. corner of Boylston and Tremont Streets, Boston, known also as the Charles Francis Adams Building, on the site of the present Hotel Touraine.



Labour

1. Labor constructs the building as a basis of taxation.
2. Labor pays its taxes, insurance, and repairs.
3. Labor, at the end of twenty-five years, builds a new building in place of the old one which has entirely disappeared; that is, it renews the very basis itself of taxation for another twenty-five years.



Land

1. Land starts with a basis made by other people's labor.
2. Land apparently pays its taxes at same rate as the building, but pays no insurance or repairs.
3. Land, at end of twenty-five years, has increased its basis threefold through other people's labor, and its income in proportion. Under the present crooked system, the distribution of untaxed wealth is according to special privilege; its taxation, according to ability (i. e., according to production). Under

straight single tax it would be the very reverse. The distribution would be according to ability (i. e., according to production), while taxation would be according to special privilege. It is this right-about-face in taxation to which this illustration is addressed.

The inequality of the present system of taxation is apparent in the following calculation (based upon the above assumption of 2 1-2 per cent depreciation) regarding the land and buildings of Boston for the last twenty years, bearing in mind that it is not the rent, either of buildings or land, that is under consideration, but only the effect of taxes and depreciation upon the one, and the opposite effects of taxes and appreciation upon the other.

BUILDINGS

The valuation of Boston's buildings in 1887	
was	\$223,000,000
If time's annual tax or depreciation of 2½ per cent. (besides the city's tax of 1½ per cent. which is paid by the owner only when he is also the tenant) has been for twenty years	
50 per cent. of.....	111,500,000
Then the value of same buildings in 1907 is only	\$111,500,000

LAND

The valuation of Boston's land in 1887 was...	\$322,000,000
Time's average net annual appreciation has been (after paying city's tax of 1½ per cent.) for each year 5 per cent. and for twenty years more than 100 per cent. or.....	331,000,000
And the value of the same land in 1907 is.....	\$653,000,000

Thus the increase in the valuation of land in twenty years is nearly 50 per cent. more than was the valuation of all the buildings twenty years ago.

Five per cent on this twenty years' increase of \$331,000,000 would be \$16,650,000, which, added to the \$4,300,000 assessed upon the land in 1887, would be \$20,900,000, as compared with Boston's taxes of \$21,254,000 in 1907.

Those who agree with John Stuart Mill that it would be sound public policy and no injustice to land owners to take for public purposes the future increase in ground rent will be interested to note what an opportunity for putting such a plan in operation in Boston is shown by the above figures to have been lost twenty years ago.

X.—Corresponding Exemptions.

In any calculation of the effect of the imposition of all taxes upon ground rent, it must be borne in mind that the landlords, who are the owners of the ground rents, also own buildings, and other improvements upon the land, together with a large per cent of the personal property, so that they, as a class, would find the additional tax upon their land offset by the exemption of buildings and personal property.

XI.—The Exemption of Assessed Values.

One reason why, under a just system of taxation, large-hearted landlords would cheerfully offer their necks to the tax yoke is the fact that so far as concerns their *investment* in land most of them are now privileged to be entirely exempt. In other words, the pres-

ent tax is not a tax burden upon them, even though this fact is not to their prejudice. But while it is true that the capitalized value of any tax on land is deducted from its selling price, and that any purchaser, after the tax is once imposed, gets his land tax free,* so that the landowners of Boston who have bought their holdings since the present tax rate was reached are practically exempt from taxation, it is also true that the appreciation in the value of their land may be fairly reckoned as an offset to the imposition of any new tax upon it.

This present exemption, however, is not offered as a reason for additional taxation, but rather as a justification for taking the opportunity to transfer the present load from the head and the tail to the back and shoulders of the horse. As an anti-single-tax professor of political economy happily puts it. "The beauty, to my mind, of a tax upon land values is that in a few years nobody pays it."

XII.—The Single Tax as an Income Tax.

An income tax has always been a favourite form of tax, because it has been regarded as well calculated to bear upon "each according to his ability." The taxation of ground rent would surely be the purest possible

*A tax, as a first lien, is practically a first mortgage to which any regular mortgage must be second. The effect of the tax in the first case and the mortgage interest in the second case upon the selling value of land is exactly the same. When the State imposed a tax of \$10 upon a lot of land hitherto untaxed and worth \$1,000, the effect upon the selling value was the same as though it had taken a first mortgage of \$200, leaving to the owner as the selling value an equity of \$800.

exemplification and application of the principle of the income tax, because it would fall upon all those incomes which are unearned, which are in their nature perpetual, and which are amply able to bear the whole burden of taxation. Of course, such an income tax should have impartial application. A large unearned income should be taxed at the same rate as a small income of the same nature and derived from the same source. If it is right that corporations or other aggregations of capital should engage in business enterprises for profit upon equal terms with individuals, then it is right that an impartial income tax should impose at least the same rate upon the many million dollar incomes of the railroads, and the coal operators, and United States steel companies, as upon smaller unearned incomes of one, five, or ten thousand dollars, derived from the same source. If eight hundred and fifty industrial combinations or trusts have a capital stock of nine billions, of which five billions are represented by common stock—and that common stock, water—it means that every 1 per cent (\$50,000,000) or every 5 per cent (\$250,000,000) received in dividends on this common stock is, as an income from rent, unearned by the people who receive it.

An income from special privilege is usually part and parcel with an income from rent, and, as such belongs to the class of unearned incomes. As ground rent is a social product, its private appropriations is a special privilege, which affords large private profit at public expense. Why not, then, at least tax such a privilege upon what it is worth?

The gross income of the owners of the land of Boston in the form of ground rent is.....	\$55,000,000
Or \$90 per capita.	
And there is now taken in taxation only.....	10,300,000

Hence the amount that is distributed annually in unearned incomes (if rent is an un- earned income) is.....	\$44,700,000
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This amount is equivalent to \$75 per capita for the 600,000 population, or to \$375 for each of the 120,000 families of five persons each.

Boston's total taxes for the year 1907 amounted to \$40 per capita. If all of this \$40 had been taken from the above \$90 there would still have been left to the landlords \$50 of ground rent per capita (equivalent to \$250 for each of the 120,000 families), besides the exemption of \$660,000,000 of buidings, personal property, and polls.

Is it even apparently fair to let so much common wealth escape taxation at the expense of individual wealth?

The fifty-five millions are, we submit, the "income" in very truth earned by the city and people of Boston—created by their actual labour and actual expenditure. Under the single tax Boston would pay all its current expenses out of this legitimate \$55,000,000 income of its own, earned by itself, instead of allowing four-fifths, or \$45,000,000, of this amount to be divided, through the channel of special privilege, into unearned incomes, thus aggravating those inequalities in distribution of wealth which people are wont to declaim against as partial and wrong.

While that part of the ground rent of Boston that goes to individuals may be said to be unearned by them, the whole of it can hardly be said to be unearned, because, having been produced by society, it may truthfully be said to be earned by society, and hence it may go to it as its wages, just as properly as his earnings go to the individual who works for wages. If a railroad has the special privilege of a monopoly in the transportation of coal from the Pennsylvania coal mines, or in the transportation of people, why not tax the railroad in proportion to the value of its franchise? The private monopoly of a natural resource is a special privilege. If the private ownership of the two or three billion tons of unmined anthracite coal is a special privilege, why not tax it what others would give for the privilege of mining and marketing it, thus making all the people sharers in what is called a natural bounty? If the private appropriation of a billion dollars' worth of iron ore is a special privilege, would it not be "proportionate and reasonable" for its owners to pay in taxation one-half at least of the value of that privilege? It is becoming common to scold about trusts and monopolies, coal barons, oil magnates, and railroad kings, but many people do not think of the perfectly natural resort of taxing them to the same extent that other people are being taxed.

This bugbear of monopoly is the central point at which numberless palliatives are ineffectively aimed. Taxation, it will be found, is the only "power to destroy" what there is of wrong, and the only "power to build up" what is right in these conditions.

XIII.—The Opinions of Economists.

Concerning the first generic peculiarity of land, the following statements gleaned from some of the world's greatest thinkers in the field of economics and public finance, who, however, have approached the subject from another point of view, support the contention of this chapter that the value of land is a social product:

"Ground rent is the advantage accruing to landowners from the use of certain uncreated or socially created powers and utilities connected with land, including, besides mere fertility of soil, also mineral wealth, water privileges, location, etc.

"Let a considerable number of human beings settle in a new country: special value instantly attaches to particular localities, and this with no act of creation save the act of the people in coming there. . . . Such dearness, springing though it does from a sort of human agency, is not the product of conscious doing on the part of any one person. In bringing it into being, A, B, and C were instruments, not agents."—*Andrews, "Institutes of Economics," p. 168, and footnote.*

"The utility of a piece of land may be increased by the natural growth of the community, when no labor is exerted directly to increase the usefulness of the particular tract of ground."—*Bullock, "Introduction to the Study of Economics," p. 116.*

"The growth of the city occasions unusual expenditures; the growth of the city also creates unusual values. Why should not the values which the city creates go to bear the expenses which the city occasions?

"The volume of traffic on a street railway increases with the increase in municipal population, and the receipts of the company on this account grow more rapidly than do the operating expenditures which the increased traffic occasions. . . . Now it is this income to which a franchise tax should address itself. . . . One might, then, say that by means of the

franchise tax the State taxes its social earnings from the capital which it has created, but which for reasons of public policy it assigns to private parties for administration."—*Adams, "Science of Finance," pp. 504 and 380.*

XIV.—Conclusion.

Throughout this chapter the impelling aim has been to invite and promote the understanding of ground rent, an agency clear to few, very obscure to many, but as subtle and powerful in the social organism as is the life-blood in the human organism.

Legislatures and Congresses are prevented by inconvenient distance from revising and improving the planetary laws, but they busy themselves with the enactment of statute after statute designed to keep men and women in their natural orbits. Discerning, as we surely do, a natural law in the material world, established by a Law-giver greater than any state or nation, we urge simply a repeal, one by one, of all artificial tax laws, putting upon the statute book instead a single one—an enacting clause to this natural law—under which every American city may begin at once to administer the single tax remedy.

B

THE SECOND GENERIC PECULIARITY OF LAND

A TAX UPON ECONOMIC RENT CANNOT BE SHIFTED

A TAX UPON GROUND RENT CANNOT BE SHIFTED UPON THE TENANT BY INCREASING THE RENT. IF IT COULD, THE SELLING VALUE OF LAND WOULD NOT BE REDUCED, AS IT NOW IS, BY THE CAPITALIZED TAX THAT IS IMPOSED UPON IT.

The question is whether, if a new tax should be put upon land, the owner would not escape by adding it to his tenant's rent?

It is not a sufficient answer to quote the authorities: the query still remains, what are the arguments upon which the authorities rely? Following is an attempt at the clear statement which these arguments deserve.

Ground rent, "what land is worth for use," is determined, not by taxation, but by demand. Ground rent is the gross income, what the user pays for the use of land; a tax is in the nature of a charge upon this income, similar to the incumbrance of mortgage interest. It is a matter of every-day knowledge that even though land be mortgaged nearly to its full value, no one would think for a moment that the owner could rid himself of the mortgage interest that he has to pay through raising his tenant's rent by a corresponding amount. Mortgage interest is a lien held by an indi-

vidual; similarly a tax may be clearly conceived as a lien held by the State. Both affect the relation between the property owner and lien holder; neither has any bearing upon the relations between owner and tenant. "Tax" is simply the name of that part of the gross ground rent which is taken by the State in taxation, the other part going to the owner; the ratio these two parts bear to each other, has no effect upon the gross rent figure, which is always the sum of these two parts, viz., net rent plus tax. The greater the tax, the smaller the net rent to the owner, and vice versa. Ground rent is, as a rule, "all the traffic will bear;" that is, the owner gets all he can for use of his land, whether the tax be light or heavy. Putting more tax upon land will not make it worth any more for use, will not increase the desire for it by competitors for its tenancy, will not increase its market value.

To illustrate, let us consider the case of a piece of land for which the landowner gets \$1,000 rent from the man who uses it.

First: The owner, let us say, pays over to the city in taxes \$100 of this \$1,000 rent. Is there any indication that this \$100 tax has any influence in fixing the present rent at \$1,000?

Second: Let us suppose that next year the city decides to take another \$100 of the \$1,000 rent in taxes. Could the owner then add the \$200 tax to the tenant's rent, making it \$1,200?

Third: Let us suppose that the following year the tax is increased by another \$100 and so on, by an annual increase, until, for extreme illustration, the tax is \$1,000, an amount equal to the entire rent; would such

a condition make it possible for the owner to raise his tenant's land rent to \$2,000?

These questions would seem to answer themselves in the negative, and thus bring us to a fair conclusion in the matter.

What the Authorities Say of This Second Generic Peculiarity of Land, That a Tax upon Its Rent Cannot be Shifted

"The weight of authority upon such a question is worthy of attention, although by no means decisive. Now, while a few respectable and sincere students of economic science hold to the doctrine of transferability of the ground-rent tax to the tenants, no one will dispute that an overwhelming weight of authority, both in numbers and in reputation, scout that doctrine as absurd. Not only the entire school of Ricardo and Mill, but also nine-tenths or more of other economic writers make it a fundamental doctrine of their science that such a tax never can be transferred to tenants."—*Thomas G. Shearman, "Natural Taxation," pp. 129-132.*

"A land tax, levied in proportion to the rent of land, and varying with every variation of rent, is in effect a tax on rent; and such a tax will not apply to that land which yields no rent, nor to the produce of that capital which is employed on the land with a view to profit merely, and which never pays rent; it will not in any way affect the price of raw produce, but will fall wholly on the landlords."—*Ricardo, "Principles of Political Economy and Taxation," McCulloch's edition, p. 107.*

"A tax on rent would affect rent only; it would fall wholly on landlords, and could not be shifted. The landlord could not raise his rent, because he would have unaltered the difference between the produce obtained from the least productive land in cultivation, and that obtained from land of every other quality."—*Ricardo, "Principles of Political Economy and Taxation," Chapter X., Section 62.*

"A tax on rents falls wholly on the landlord. There are no means by which he can shift the burden upon anyone else. . . . A tax on rent, therefore, has no effect other than its obvious one. It merely takes so much from the landlord and transfers it to the State."—*John Stuart Mill, "Principles of Political Economy," Book V., Chapter III., Section 2.*

"The power of transferring a tax from the person who actually pays it to some other person varies with the object taxed. A tax on rents cannot be transferred. A tax on commodities is always transferred to the consumer."—*Thorold Rogers, "Political Economy," 2nd edition, Chapter XXI., p. 285.*

"A land tax levied in proportion to the rent of land, and varying with every variation of rents . . . will fall wholly on the landlords."—*Walker, "Political Economy," edition of 1887, p. 413, quoting Ricardo approvingly.*

"A tax laid upon rent is borne solely by the owner of land."—*Bascom, "Treatise," p. 159.*

"Some of the early German writers on public finance, such as Sartorius, Hoffman, and Murhard, went so far as to declare that, because of this capitalization, a land tax is no tax at all. Since it acts as a rent charge capitalized in the decreased value of the land, they argue, a land tax involves a confiscation of the property of the original owner. On the other hand, since the future possessors would otherwise go scot free, it becomes necessary to levy some other kind of a tax on them."—*E. R. A. Seligman, "Incidence of Taxation," p. 139.*

"The incidence of the ground tax, in other words, is on the landlord. He has no means of shifting it; for, if the tax were to be suddenly abolished, he would nevertheless be able to extort the same rent, since the ground rent is fixed solely by the demand of the occupiers. The tax simply diminishes his profits."—*E. R. A. Seligman, "Incidence of Taxation," pp. 244, 245.*

"If land is taxed according to its pure rent, virtually all writers since Ricardo agree that the tax will fall wholly on the landowner, and that it cannot be shifted to any other class, whether tenant-farmer or consumer. . . . The point is so universally accepted as to require no further discussion. . . . A permanent tax on rent is thus not shifted to the consumer, nor does it rest on the landowner who has bought since the tax was imposed."—*E. R. A. Seligman, "Incidence of Taxation,"* pp. 222, 223.

"With these assumptions, it is quite clear that the tax on economic rent cannot be transferred to the consumer of the produce, owing to the competition of the marginal land that pays no rent, and therefore no tax, nor to the farmer, since competition leaves him only ordinary profits.

The amount of each particular rental depends upon units of surplus produced (varying to any extent according to the superior natural conditions), and on the marginal price, which is independent of these superior conditions, and accordingly, a tax that strikes the surplus only, remains where it first falls."—*Nicholson, "Principles of Political Economy," Book V., Chapter XI., Sections 1 and 4.*

C

THE THIRD GENERIC PECULIARITY OF LAND THE SELLING VALUE OF LAND AN UNTAXED VALUE

EVERY LANDOWNER IS EXEMPT FROM TAXATION ON HIS INVESTMENT, TO THE EXTENT OF THE TAX TO WHICH HIS LAND WAS SUBJECT AT TIME OF HIS PURCHASE, AND THEREFORE PRACTICALLY SPEAKING, NEARLY ALL LAND IS TO-DAY OWNED FREE OF ANY TAX BURDEN.

The purpose of the following illustration* is to make clear by means of iteration and reiteration two facts, viz.:

Fact I. The land owner† to-day who has purchased since the present tax was imposed escapes taxation upon his investment.

Fact II. The burden of a land tax cannot be made to survive a change of ownership.

The illustration is intended to show the effect in a normal or advancing community of mortgage interest and taxes upon the market value and cost to the user of a lot of land and a house respectively having equal

*The statements and arguments used in this illustration deal only with the general principles of taxation, and assume such conditions as prevail in the United States, including, for instance, lack of universality and uniformity in taxation. Single tax terms and arguments are studiously excluded.

†Care is taken to designate owner and user in their respective capacities, whether they be two persons, or two combined in one,

purchase and rental value and each subject to the same mortgage interest and taxes.

FIRST: THE LAND

Proposition 1.—Let it be supposed that you want a piece of urban land that is worth \$300 a year to you for use. You can afford to pay \$300 a year and no more, and it can be had at an annual cost of \$300 a year.

Let us then proceed to acquire this piece of land, exercising diligence and caution to profit by each step in the transaction.

(a) At the very outset the question arises, what is the thing for which you are proposing to pay \$300? Surely it is not the soil itself, because it is a question of a building site, which could be had out in the country for little or nothing. It is not merely the area upon which to dig a hole in the ground, wall it about, and erect a building, for the same space can be had elsewhere for a song. In short, it is not the earth's surface; it is not the inherent capabilities of the soil; it is not light and air, or other bounties of nature resident in that lot of land; it is not natural resources of which you are thinking as worth to you \$300 a year.

(b) But what you are going to pay for is the accompanying and incidental use of a great many expensive things outside of the piece of land, things which you will need and must have, which you cannot afford to provide at your own expense, but for the use of which you can afford to pay in proportion as you use them. It is these outside things, available by their proximity, for which you are called upon to pay \$300 a year. To enumerate some of them specifically, they are, in

a town or city lot, right and ease of access to water, health inspection, sewerage, fire protection, police, schools, libraries, museums, parks, play-grounds, steam and electric railway service, gas and electric lighting, telegraph and telephone service, subways, ferries, churches, public schools, private schools, colleges, universities, public buildings—utilities which depend for their efficiency and economy on the character of the government; which collectively constitute the economic and social advantages of the land; and which are due to the presence and activity of population, and are inseparable therefrom, including the benefit of proximity to and command of facilities for commerce and communication with the world—an artificial value created primarily through public expenditure of taxes. In practice, the term "land" is erroneously made to include destructible elements which require constant replenishment; but these form no part of this economic advantage of situation or site value.

(c) In other words, you are to pay \$300 a year for the value of what the law calls the "rights and privileges thereto pertaining," specified in every deed of land conveyance. This \$300 is ground rent, "what the land is worth for use."

Proposition 2.—Assuming this piece of land to be free from all charges and incumbrances, and assuming the current rate of interest to be 5 per cent. per annum, you would purchase the lot for \$6,000, because interest upon that sum would amount to the stipulated \$300 a year. But if, on the contrary, the lot bears a mortgage of \$2,000, upon which the annual interest charge is \$100, then the lot will cost you \$4,000.

(a) The mortgage interest charge of \$100 reduces the selling price of the land by the amount of the mortgage, \$2,000, and you will buy the land, not at \$6,000, but at \$4,000, the value of the equity remaining after mortgage interest has been paid.

(b) By purchasing title you will assume the mortgage and will pay the mortgage interest, \$100, but that \$100 will not come out of your \$200, the net income from your investment of \$4,000; it will come out of the gross income, the ground rent, \$300. It is a part of, and not an addition to, the ground rent. You will pay the interest, but you will not bear it, because you will have bought yourself clear of the burden.

(c) The lot will thus cost you annually for use, interest on your purchase price (\$4,000 at 5 per cent) \$200, plus mortgage interest (\$2,000 at 5 per cent) \$100, equal in all to \$300, all that the land is worth for use, use being the only relation of land to man with which economics has reasonable concern.

Proposition 3.—But, besides being subject to a mortgage of \$2,000, assume further that this lot of land is subject also to an old tax of \$100, which charge the purchaser must also assume. You will then purchase the land not at \$4,000, but at \$2,000.*

(a) As already seen, the mortgage interest charge of \$100 reduces the selling price of the land by the amount of the mortgage, \$2,000. It is equally true that the tax charge of \$100 reduces it by the same amount,

*By the term "old tax" is intended the tax in force at time of last purchase; by "new tax" one imposed since last change of ownership.

\$2,000; the mortgage and the tax together therefore reduce it by \$4,000; and you will buy the land at \$2,000, the value of the equity which remains after both mortgage interest and tax have been paid. This \$2,000 is the capitalization of the annual value of the lot to you after all charges have been met.

(b) In purchasing you will assume both mortgage interest and tax and will pay them, but you will pay them out of the gross income of \$300, and not out of the net income of \$100 from your investment of \$2,000. Therefore no part of the \$2,000 which you pay for the equity will be taken from you in taxation, either as principal or interest.

(c) The lot of land will thus cost you for use: interest on your purchase price (\$2,000 at 5 per cent), \$100; plus mortgage interest (\$2,000 at 5 per cent), \$100; plus taxes, \$100; and these together aggregate \$300, what the land is worth for use, the same as before.

(d) It follows then that, under the present system, assuming free competition, the selling value of land is an untaxed value,* and land owners who invest to-day are exempt from taxation—not indeed upon their land, but upon its annual net or income value to them, or, in other words, upon their investment. The gross value is the taxed value. The net value is an untaxed value.

(e) As this exemption of the present owner holds

*Assessors make use of the selling value of land as the basis for their levy because it is more easily ascertainable than the gross value, but in reality and effect the levy is upon the gross value, which, if land were not taxed at all, would be also the selling value.

true to-day, so it will be true in future of each new purchaser subsequently to the imposition of any new tax. It is in the very nature of things that the burden of a land tax cannot be made to survive a change of ownership.

(f) This is equally true of a bond, but it is assumed that a tax levy should be not upon intangible stocks and bonds legally conceived as property, but only upon tangible goods and estates. It is, to be sure, just as true that a man who builds a house to rent pays no tax on his investment, but for a different reason. The tax, in that case is shifted upon the user in increased house rent, except so far as, by discouraging building, it is reflected in lower wages for building. But an old tax upon the land is a burden neither upon present owner nor user. The tax on land is "absorbed," that on the house is "shifted."*

(g) We cannot too soon or too rigidly fix in mind the fact that this ground rent of \$300 is the governing factor in the situation;** that it is a tax laid not by the State but by nature, which every man must pay for the use of land, either to a private owner as rent, or to the State as a tax, or to both. No statute or ordinance can increase or reduce, exempt from, or abolish the payment of, this "economic rent," or ground rent, to somebody. Its amount is neither fixed nor affected

*Landlords who own and let both land and tenement houses, apartment houses, and business blocks thereon, escape the burden of the tax on their land, and at the same time shift upon their tenants the building tax, thus avoiding all share in the tax burden.

**This is indeed the point from which the whole discussion proceeds.

by the tax that is put upon it, whether large or small. Taxing it cannot increase it; cannot decrease it; cannot abolish it. Its amount may always be calculated by this simple formula: ground rent equals interest on purchase price, plus interest on any mortgage, plus taxes.

Proposition 4—Neither a tax upon ground rent, nor the ground rent itself, adds anything to the cost of land for use.

(a) Economic rent, ground rent, measures the value of all public, quasi-public, and social service. If the whole ground rent is not a burden, but merely an equivalent for social values received, neither can interest and taxes, two of the parts of which ground rent in our illustration is composed, be a burden upon the user. A tax upon rent comes out of rent, which, as has been explained, is the natural tax that every user has to pay to some one, and hence it subtracts nothing from wages and adds nothing to the cost of living.

Proposition 5.—You cannot pay \$6,000 for the land and in addition pay either the mortgage interest of \$100 or the tax of \$100, because that would make land cost you \$400 per annum, which by our assumption is worth only \$300.

(a) The tax upon land cannot be added to the ground rent—which is kept at its maximum by market demand—but is a part of, and must come out of, ground rent. If it could be added, that fact would itself indicate that the ground rent was \$400 instead of \$300, which is contrary to supposition. Land worth only \$300 a year cannot be made worth \$400 a year by putting a tax of \$100 upon it.

(b) Let it not be forgotten that ground rent, in the

sense in which the word is used, is the same homogeneous thing, one and indivisible, the world over—what land is worth for use. It is rent—or use value—not cost of construction or cost of production—that fixes the price of land. Economic rent is the initial and governing factor from which all calculations must proceed.

SECOND: THE HOUSE

Proposition 6.—The lot having been acquired, let it be supposed that you are in need of a house, and that such a house as you want would cost to build \$6,000, or, in interest, \$300 a year, the same as the annual cost of the land.

(a) You will observe at once that the problem of the house is quite different from that of the land. The cost of acquiring land depends primarily upon its rent. Conversely, the rent of a house depends primarily upon its cost. Builders will not build houses unless they can get interest on the cost of construction. Competition among builders will not allow one builder normally to get more than interest on cost of construction.

Proposition 7.—If such a house were free of tax, but mortgaged for \$2,000, it would cost you to buy only \$4,000, and it would cost you to use, as in case of the land, interest on purchase price (\$4,000 at 5 per cent) \$200, plus interest on mortgage (\$2,000 at 5 per cent) \$100, making \$300 as before.

(a) The mortgage upon a house, like that upon land, will add nothing to the cost of the house for use.

Proposition 8.—But you will find that such a house is subject also to a tax of \$100, which you will have to pay in addition to the above \$300, interest on purchase and mortgage, making the house cost you for use altogether \$400, instead of \$300 a year, or \$100 more on account of the tax.

(a) Unlike the tax upon land, the tax of \$100 upon the house cannot come out of the \$300 rent (house rent or interest) except indirectly through its effect upon wages as before mentioned, because house rent cannot normally be less than interest on the actual cost of building the house; it must instead be paid by the user of the house, over and above his interest, making his house rent, the annual cost of his house for use, \$400 instead of \$300.

(b) To repeat: a house rent, otherwise \$300, is increased to \$400 by a tax of \$100 on the house. In contrast with this, you may either take off a present tax of \$100 from the land, or you may increase that tax to \$200, and in neither case will the cost of the land to the user be affected. Take off the \$100 tax from the house, and the cost of the house to the user will be reduced from \$400 to \$300 a year; of land and house together, from \$700 to \$600.

Proposition 9.—The moral of this illustration is that you get for use annually \$300 worth of land for \$300, and a house costing \$300 for \$400. In other words, a tax upon land is a part of, is included in, and comes out of, ground rent, and is no burden to the user; while a tax upon a house is a clear addition to house rent, and comes principally out of the user of the house.

To recapitulate: (1) It has been shown that a house tax of \$100 that has been regularly levied takes in taxation \$100 a year of the user's income.

(2) It has been shown that a land tax of \$100 takes in taxation no part of the income of the user or present owner, provided that he purchased the land after the tax was imposed.

The beauty of this illustration is that (in a classification which excludes duplication by certificates or mere legal evidences of property, like stocks, bonds, etc., and includes only actual tangible property) while land stands as always for everything except the products of labor, a house is here made to stand as the representative of any and all products of individual labor, that is, for everything except land, and the illustration thus becomes all inclusive.

If you have had the patience to follow it understandingly you may rest assured that you have mastered a basic principle of taxation, and have solved one of the most perplexing problems of political economy.

What the Authorities Say of This Third Generic Peculiarity of Land, viz., That Its Selling Value Is an Untaxed Value.

"The land tax, which is next on the list, should equally cause but little controversy. It is persistently claimed as a burden upon land, or land owners; but this will not bear scrutiny when we inquire out of whose income the tax is paid, or what way it causes pressure, so that its reduction or abolition would be a benefit to the community.

"As a fixed charge upon land for generations, it is now past all controversy a rent-charge. In many instances it has long

since been redeemed, the property having subsequently changed hands; in others, inheritors of property have acquired it under the burden, and have calculated their income minus the tax, while purchasers, in buying, invariably allow for it. To reduce" (abolish?) "it now would be to present the landowners of England with a capital sum of nearly £30,000,000. Their estates, relieved of the burden, would become at once so much more valuable, and if they did not sell, they would pocket an additional income which they never inherited or paid for."—*Sir Robert Giffen, "Essays in Finance," First Series, p. 242.*

"A more difficult and disputable point arises in connection with the incidents of a long-continued land tax. Here it is said that the tax is really a deduction from property. As land is sought for its revenue, what lowers its revenue lowers its selling price, and therefore a land tax falls altogether on the possessor at the time of its imposition. Subsequent acquirers take the land subject to the burden, and pay a lower price in consequence. This process of "amortization," as it has been called, makes the subsequent removal of the tax undesirable; the persons who have lost by its establishment are not the same as those who gain by its remission. A purchaser has got land cheaper, and gains a further advantage by escaping the tax; in fact he is allowed for it twice over, once at the time of purchase and again at that of remission.

"The element of truth in this theory, which has received much favor, appears to be the following. (1) as previously pointed out, when a land tax becomes definitely fixed so that it can be foreseen, or even capitalized and redeemed, there is no inaccuracy in speaking of it as a charge on land, which lowers its selling price; it is just the same as a mortgage, and is so regarded by purchasers."—*Bastable, "Public Finance," (1903), page 440.*

"If a certain tax is levied and it is expected that it will continue to be levied indefinitely in the future, it will reduce the selling value of the land by the amount of the capitalized value of the tax. The future owner will, therefore, be able to buy it so much cheaper that he will realize as large a percentage on his investment as though the tax had never been levied."—*Thomas N. Carver, Yale Review, Nov., 1896.*

A recent College and University text book* makes reference to the argument of this illustration, as re-stated in Chapter XII, in the following comment:

Many present-day followers of Henry George find in this principle of amortization at once a justification and a method of securing for society all economic rent. Under present conditions, they say, a man who buys land wholly escapes taxation upon it. Consequently, in order to make landowners pay as much as other people we should have to increase the tax upon land by a rate equal to that paid by the average tax payer as often—say every thirty years—as the land of the community changes holders. In this way the State could gradually and with justice absorb all economic rent.

But this whole chain of reasoning is fallacious for three reasons:

(a) This capitalization takes place only to the extent that the tax on land is exclusive and unequal, and modern taxes upon land are not of this nature.

(b) In so far as this programme of the single taxers were anticipated and understood, it would visit the whole burden of the "reform" upon present owners, instead of being distributed over several generations. Subsequent purchasers would discount these periodic increases of the tax and pay to owners for their land only the present value of the rapidly vanishing income from land. Land would be valued simply as a terminable annuity.

(c) This whole doctrine overlooks the inevitable consequence that, if "the selling value of land is an untaxed value" and "if the burden of a land tax cannot be made to survive a change of ownership," these facts would so increase the demand for land that the profits from its purchase and ownership would not exceed profits in other lines of investment."

*"Outlines of Economics," Revised Edition, by Richard T. Ely. The Macmillan Company, 1908, pp. 621, 622.

Let us examine these points one by one.

(a) It is, as I understand, admitted by all economists that in the United States (the country now under consideration) the tax on land is everywhere exceedingly unequal, and, especially in the large cities, almost exclusive.

Either the capitalization of the land tax is a fact or it is not. If it is a fact it is, with its corollaries, the most vital fact of all those bearing upon the material welfare of the race, and ought not to be brushed aside in three short unsupported sentences like the above, all of which are substantially contrary to the mass of evidence assembled in these chapters.

But the capitalization of the land tax in the United States is a settled fact, and hence not debatable; a business condition of every-day knowledge in the buying and selling and assessment of land. It is out of the domain of theory, and not dependent upon any abstract speculation concerning an exclusive and unequal tax.

For the sake of illustration: First, Let it be assumed that there are two, and only two, fields open to investment, viz., land paying 5 per cent on purchase price and bonds paying 5 per cent on purchase price (because either by exemption or by evasion they escape taxation). What is it that fixes the above rate of 5 per cent prevailing to-day in both cases? Is it not supply and demand? When there is a surplus of capital, rates are depressed; when a scarcity of capital, rates are advanced. The question is, What and how has taxation to do with this 5 per cent rate of interest?

Again: Let it be assumed that a way has been found to exact from all bonds a tax of \$25 per thousand, or

one-half the income. Inviting investment, there would then be, land paying 5 per cent, bonds paying $2\frac{1}{2}$ per cent, and what would happen? If the interest rate is 5 per cent owners of bonds will continue to hold them for an income of $2\frac{1}{2}$ per cent or they will sell at approximately half price, but as loans are renewed borrowers will have to pay the market rate of interest, what capital is worth for use, plus the tax. The rate of interest will still be fixed, as now, by supply and demand, and not by taxation. What has taxation to do with the general interest rate more than with the gross ground rent of land? The idea that if a uniform rate of tax were imposed and collected from all incomes it would lower the rate of interest is admitted to be highly speculative and seems to find contradiction in every money market. As to the statement that modern taxes upon land are not virtually exclusive and unequal, how can this possibly be true when the alleged bane of the present system is that more than three-quarters of personal property escapes taxation?

(b) The proposed plan of "some of the present-day followers of Henry George" is set forth in the same text book in the main correctly, and admirably, as above, except that their specific recommendation is limited to absorbing only enough economic rent to meet all public expenses, an object which might be accomplished gradually and almost imperceptibly in one generation. *The execution of this particular plan would involve an increase in the rate year by year sufficient to take in taxation annually an additional 1 per cent only of the gross ground rent for thirty years, or one generation. An average of about 20 per cent*

of gross ground rent is now taken in taxation, as for instance in Boston. If an additional 1 per cent should be taken each year for thirty years, it would amount finally to 30 per cent, which, added to the 20 per cent already taken, would make 50 per cent, or one-half, which is about the average proportion that present taxes bear to ground rent.

By this plan, at the end of thirty years the burden of \$15 (1½ per cent) per thousand *on present valuation*, now borne by the occupier, will have been placed on the land holder, and this transfer of burden would, even if land did not meantime increase in value, reduce the selling value of his land, every \$1,000 to \$700. Meantime, few land owners would suspect the change, much less be prejudiced by it.

But if a thirty-year bond is at a premium, and worth one hundred and fifteen dollars to-day, and will be worth only one hundred dollars or par at maturity, does the whole burden of the vanishing fifteen dollars premium fall upon the "present owner"? The new million dollar office building will probably be worth little or nothing in three generations, but this whole burden of ninety years' natural decay is not visited upon "present owners." The immediate reduction of 1 per cent (or one point on the stock board) in value of land would not greatly depress selling value, while increased taxes and consequent depreciation of ten, twenty, or thirty years hence are very slightly discounted to-day.

Therefore, the assertion that the above programme "would visit the whole burden of the reform upon present owners" is erroneous and confusing, especially

when the burden of a three hundred dollar thirty years' depreciation is offset by an appreciation of perhaps more than \$1,500 (as is the case in Boston which) offset is rightfully a part of the economic situation. Many laws, tariff laws among others, do not pretend to insure against sporadic cases of possible injustice but the universal law remains that, with civilization, the value of land increases.

(c) The statement of the book on this point comes far short of covering the actual condition. The facts that the "selling value of land is an untaxed value" and that "the burden of a land tax cannot be made to survive a change of ownership" have indeed so increased the demand for Boston land that in value probably more than three-quarters of it is to-day in dead hands or in the hands of trustees and syndicates which cannot die, all of whom refuse to loosen their grip upon this "preferred stock" except at exorbitant speculative prices which would yield income far under other lines of investment.

A CLOSING WORD.

"If a special tax be imposed upon land, and if it be suffered to subsist, it will, in course of time, cease to be felt as a tax. Land will be bought and sold subject to it; offers will be made, and prices will be settled, with a reference to it; and each purchaser who buys for the purpose of earning the average rate of profit will reduce the purchase money, owing to the existence of the tax. If he does not, it will be because he prefers something to profits. Hence the land tax imposed

in 1693 so far as it is not redeemed, has probably ceased to be felt as a tax. 'It is no more a burden on the landlord than the share of one landlord is a burden on the other. The land owners are entitled to no compensation for it, nor have they any claim to its being allowed for, as part of their taxes.' Hence, too, it follows that if it was originally fair to impose a land tax of 4s., it is now fair to add a tax of the same amount; or, in other words, if the land owner of the reign of Victoria may be justly called upon to bear as heavy a burden as that borne by his forefather, the land tax must be raised to 8s., of which 4s., will be a rent-charge or the share of a joint tenant, and only the remainder will be of the nature of a tax. *Cæteris paribus*, the land owner's profits will be as high under the 8s. land tax as were those of his predecessor under the 4s. No doubt it may be said that the landlord's return on his capital is constantly diminishing. But this decline is simultaneous with a general lowering of the rate of profits derivable from all branches of industry; and, admitting the facts to be as alleged, it still would be true that the relative subtraction from the land owner's incomes owing to the 4s. and the 8s. taxes would be the same. In course of time the same causes which effaced the first four shillings would remove the weight of the 8s.: whenever land is sold, it will be so with an eye to the existence of the latter tax. The process will not stop here; assuming that rents do not fall, that land is freely sold, that no equivalent tax is levied upon personality, and that the increments of taxation are imposed at very distant intervals, in the lapse of time each addition to the land

tax will be shifted from the land owners. Thus it would seem that there is no taxing them always, unless the land tax be repeatedly raised, and that, if such an impost is just at all, the State must in fairness keep whittling at the portion of the land owner until, at some distant period, it is absorbed by taxation." —John Macdonell, "The Land Question," Macmillan Company, London, 1873, pp. 74-76.

CHAPTER VI.

A SINGLE TAX CATECHISM.

FOREWORD.

This Catechism is the fruit of four years of specific application, and a tenth revision for brevity and clarity. Its claim to attention lies not in its nominal authorship, but in the consensus of economic opinion upon which it is grounded. Three-fourths of the queries deal with taxation principles of universal application; the others, which deal specifically with the single tax, attempt to apply these general principles to a particular problem.

About ten years ago the author of the Catechism undertook to ascertain the consensus of opinion among economists concerning the nature of rent and the incidence of taxes imposed upon land. Extensive correspondence and circularizing carried on for several years resulted in substantial agreement of over a hundred economists upon certain general principles of taxation. The results of this correspondence have been printed in the Proceedings of the American Economic Association for April 1908, pp. 117 to 120, and can also be found on pp. 187-190 of the A B C of Taxation.

The author therefore believes that the part of the Catechism dealing with general principles of taxation may be considered to represent the mature opinion of most political economists.

CATECHISM.

1 Q. What is meant by the Single Tax?

A. The gradual imposition of all taxes upon the value of land, exclusive of improvements, thereby eventually abolishing all other taxes.

2 Q. What is the ethical basis of the Single Tax?

A. The common right of all citizens to profit by site values of land which are a creation of the community.

3 Q. Does it mean the nationalization of land?

A. No; it means, rather, the socialization of economic rent.

4 Q. Then it does not mean the abolition of private property in land?

A. No; it simply proposes to divert an increasing share of ground rent into the public treasury.

5 Q. Does the common right to rent involve common ownership of land?

A. Not in the least. When the rent is appropriated by the community for common purposes, individual ownership of land could and should continue. Such ownership would carry all the present rights of the land owner to use, control, and dispose of land, so that nothing like common ownership of land would be necessary.

6 Q. What is meant by economic rent?

A. Gross ground rent—the annual site value of land, i. e., what land is worth annually for use—what the land does or would command for use per annum if offered in open market.

7 Q. What is the distinction between the taxation of land and the taxation of rent?

A. Taxing land means, in the ordinary use of the words, to tax the land upon its capital value, or selling value, at a given rate per \$100 or \$1,000 of that value. Taxing rent means taxing the annual value, or ground rent, at a given percentage of that rent.

8 Q. What is meant by the right of property?

A. As to the grain a man raises, or the house that he builds, it means ownership full and complete. As to

land, it means legal title, tenure, "estate in land," perpetual right of exclusive possession, a right not absolute, but superior to that of any other man.

9 Q. What is meant by the right of possession?

A. As to land, if permanent and exclusive, as on perpetual lease, it means the right to "buy and sell, bequeath and devise," to "give, grant, bargain, sell and convey," together with the rights and privileges thereto pertaining, in short, the same definition for POSSESSION that the law applies to PROPERTY.

10 Q. What should be the limit of revenue under the Single Tax?

A. The same as under any other system of taxation, the cost of government economically administered.

11 Q. What is meant by land value?

A. Land value, in its usual sense, means the selling or market value of land—its net value to the purchaser—the value supposed to be adopted by the assessors as the basis of taxation.

12 Q. Does this mean the site value or the natural fertility value of land, or both?

A. Chiefly the site value.

13 Q. What is site value?

A. Site value of land is the value of the legal "rights and privileges thereto pertaining," as specified in every deed of land conveyance, the value of proximity to the advantages of industrial, economic, social, political and other activities, an artificial socially created value in trade, commerce and communication with the world.

14 Q. You would not say that land is a product of industry?

A. No; but the annual site value of land is a product of the growth and industry of the community.

15 Q. You would not say that the supply of land can be increased?

A. No; but fresh demand is constantly requiring not only an increase in the public equipment of land already in use, but also the constant extension of such equipment to new area.

- 16 Q. Why should buildings and all other improvements and personal property and capital be exempt from taxes?
A. Because, in taxing them the community, instead of appropriating a fund of its own creation, already at hand and doubly sufficient for its own needs, is taking from the individual what belongs to him by the best of all titles, namely, the right of production.
- 17 Q. Why should stocks and bonds be exempt?
A. Stocks, because they are only paper certificates of property, which itself has been taxed once already. Bonds, if legitimate, because a tax on borrowed money is paid after all by the borrower and so becomes an added factor in cost of production, and consequently in the cost of living.
- 18 Q. What is privilege?
A. Strictly defined, "Privilege is a special and exclusive power, conferred by law, on particular persons or classes of persons, and ordinarily in derogation of the common right."
- 19 Q. What is to-day the popular conception of privilege?
A. That it is the law-given power of one man to profit at another man's expense.
- 20 Q. What are the principal forms of privilege?
A. The appropriation by individuals, or by public service corporations, of the annual site value of land created by the growth and activity of the community without payment for the same. Also, the less important privileges connected with patents and the tariff.
- 21 Q. How may franchises be treated?
A. Franchise privileges may be abated, or gradually abolished by lower rates, or by taxation, or by both, in the interest of the community.
- 22 Q. Why should privilege be especially taxed?
A. Because a tax upon privilege can never be a burden upon industry or commerce, nor can it ever operate to reduce the wages of labor or increase prices to the consumer.
- 23 Q. How are landlords privileged?

A. Because, in so far as their land tax is an "old" tax, it is a burdenless tax, and because their buildings' tax is shifted upon their tenants; most landlords who own and let both land and tenement houses and business blocks thereon avoid all share in the tax burden.

24 Q. How does privilege affect the distribution of wealth?

A. Wealth as produced is now distributed substantially in but two channels, privilege and wages. The abolition of privilege would leave but the one proper channel, viz.: wages of capital, hand, and brain.

25 Q. What is meant by an "old tax" or a "new tax"?

A. By the term "old tax" is intended the tax in force at last change of ownership; by a "new tax," one imposed since then.

26 Q. How would the Single Tax increase wages?

A. By gradually transferring to wages that portion of the current wealth that now flows to privilege. In other words, it would widen the channel of wages by enlarging opportunities for labor, and by increasing the purchasing power of nominal wages through reduction of prices. On the other hand, it would narrow the channel of privilege by making the man who has a privilege pay for it what it is worth.

27 Q. How much ultimately may wages be thus increased?

A. Fifty per cent. would be a low estimate.

28 Q. But what are "fair" prices and "fair" wages?

A. Prices unenhanced by privilege, and wages undiminished by taxation.

29 Q. Why should land be singled out to bear the bulk of the burden of taxation?

A. Because in the private appropriation of the annual site value of land is found the bulk of privilege.

30 Q. How much does this particular form of privilege amount to?

A. It amounts for 1912 in Boston and New York to upwards of fifty million and two hundred million dollars respectively.

31 Q. In what other respects is land a better subject for taxation than everything else?

A. Land has three generic peculiarities by which it differs radically from everything else.

32 Q. What is its first generic peculiarity?

A. It is that the site value of land is a creation of the community—a public or social value.

33 Q. What is its second generic peculiarity?

A. It is that no tax, new or old, on the site value of land can be recovered from the tenant or user by raising his rent.

34 Q. What is its third generic peculiarity?

A. It is that the selling value of land reduced as it is by the capitalized tax that is imposed upon it, is an untaxed value. Whatever lowers the income from land lowers proportionately its selling price, so that whether the established tax upon it has been light or heavy, it is no burden upon the new purchaser, who buys it at its net value and thus escapes all part in the tax burden which he should in justice share with those who now bear it all.

35 Q. Is not land peculiar also in that it is a gift of the Creator, and not a product of labor?

A. Yes, that is true of land itself, but not of the value of land.

36 Q. What is meant by a capitalized tax?

A. It is a sum, the interest of which would pay the tax.

37 Q. Why would the Single Tax be an improvement upon present systems of taxation?

A. Because the taking for public uses of that value which justly belongs to the public would relieve all workers and capitalists of those taxes by which they are now unjustly burdened, and would make unprofitable the holding of land idle.

38 Q. Should not all people pay taxes for the protection of their property?

A. Yes, and that is what they are doing when they pay

their ground rent. To tax them again, as is now done, is double taxation.

39 Q. Do all people, then, pay ground rent?

A. Yes, in proportion as they are users of land.

40 Q. Why, on similar lots of land, should one man with a \$10,000 building be taxed as much as another with a \$100,000 building?

A. Because the cost to the city, for public equipment and public service, is substantially the same in both cases.

41 Q. Would it not be confiscation so to increase the tax on land?

A. What would be "confiscated"? No land would be taken, no right of occupancy, or use, or improvement, or sale, or devise; nothing would be taken that is conveyed or guaranteed by the title deed.

42 Q. But would it not be an injustice to the land owner?

A. If it be an injustice to tax hard-earned incomes (wages) to maintain an unearned income (economic rent) that bears no tax burden, how can it be an injustice to stop doing so?

There can be no injustice in taking for the benefit of the community the value that is created by the community.

43 Q. What is the lesson of the inevitable "capitalization of the land tax"?

A. It is that an unfair discrimination in favor of the land owner can never be overcome until all taxes are paid out of ground rent; then all men will enjoy total exemption equally with the land owner.

44 Q. How could the land owner escape the alleged burden of an increase in his land tax?

A. Simply by assuming the legitimate role of a model landlord, by putting his land to suitable use, in providing for tenants at lowest possible price the best accommodations and facilities appropriate to the situation that money can buy.

45 Q. Does not a land tax increase house rent or store rent?

A. The landlord, as a rule, exacts the full ground rent for the use of his land. To take half or all of this annual site value in taxation could not make land worth any more for use.

46 Q. In old cities, is not nearly all the land in use?

A. About one-half the area of New York and Chicago is classed by the assessors as vacant. In Boston the proportion is: Occupied, 42 per cent.; vacant, 46 per cent.; marsh, 12 per cent.

47 Q. How would the Single Tax affect the farmer?

A. It would greatly reduce his taxes. His buildings, stock and crops would be exempt. His land is at present assessed at nearly twice its proper unimproved value, while town and city land is often valued at less than one-half its actual value, thus subjecting him to a more than four-fold disadvantage.

48 Q. What relief could it bring to strictly agricultural towns, where the unimproved land values are very small?

A. However poor the town or heavy the taxes, it would at least tend to equalize their present tax burden. The assessed valuation of land in the three smallest towns of Massachusetts, Alford, Holland, and Peru, is \$282,335, or more than three times that of the buildings. Allowing one-half of the assessed valuation of land to be improvement value, the unimproved basis for taxation would be \$141,168, or 60 per cent. more than the buildings. Thus an apportionment according to unimproved land values, increasing ever so slowly, would seem to be fairer than one according to improvements, which require constant renewal.

49 Q. How would the Single Tax affect the tenant?

A. It would neither increase nor decrease his "land" rent. It would reduce his "house" rent by the amount of the "house" tax.

CHAPTER VII.

ACHIEVEMENTS.

In Canada, Australia, England, and Germany, the last fifteen years have seen important changes in the methods of taxation, which single taxers justly consider advances in the direction of the single tax.

(A) BRITISH COLUMBIA.*

Of the nine Canadian provinces, three have taken important steps toward the single tax. In British Columbia provincial revenue is still derived from poll, property, and income taxes; but since 1891 municipalities have been permitted to exempt improvements from taxation in part or in whole. Since 1892, in fact, municipalities have not been permitted to assess improvements at more than fifty per cent of their actual value. Under the authority thus granted all the important city and many rural municipalities now exempt improvements, thus raising practically all local revenue from land. The following cases furnish the best examples of this tendency:

Burnaby. A municipality bordering on Vancouver, area 27 square miles, has from its incorporation in 1892 totally exempted improvements from taxation.

*The facts concerning Canada have been taken from the "Vancouver number" of the "Single Tax Review," May-June, 1912 (150 Nassau Street, New York); and "Provincial and Local Taxation in Canada," by S. Vineberg, (New York, 1912).

The rate on wild lands is practically double that upon improved lands.

New Westminster. Adjoining Burnaby, area 6 square miles. Oldest municipality in the Province, chartered in 1860; improvements exempted from taxation in 1911 by a vote of 248, against 98. Ratification by a vote of the Council unanimous. Population 15,000, valuation land \$8,500,000, improvements \$2,400,000.

North Vancouver. Area 4 square miles; incorporated in 1906, when it was set off from the District of North Vancouver which in the twenty years of its existence has never taxed improvements. The City of North Vancouver in 1911 assessed land at \$9,400,000 and improvements at \$1,420,000, or nearly double the valuation of the previous year.

Point Grey. A residential suburb of Vancouver, population 30,000, seat of the University of British Columbia; incorporated as a municipality in 1908, improvements exempted from taxation. Wild lands taxed at a rate nearly double that on improved lands.

South Vancouver. Area 13 square miles; population 30,000; incorporated as a municipality in 1892; fifty per cent of improvements then exempted from taxation. Improvements totally exempt since 1903.

Vancouver. Area $11\frac{1}{2}$ square miles, population approaching 100,000, value of land nearly \$100,000,000, improvements about \$38,000,000. Terminus of the Canadian Pacific Railroad, has one of the finest natural harbors in the world, and is the chief shipping port for Japan, China, Australia, etc. Largest city of the Province. In 1896 fifty per cent of the value of

improvements were exempted from taxation. Ten years later in 1906 the exemption was increased to 75 per cent. In 1910 the exemption was made complete. L. D. Taylor, then Mayor of Vancouver, says of it:

"From the beginning the cities of the Canadian West have taken the initiative in promoting the Single Tax policy by putting it into actual operation while other municipal governments have not reached beyond the theoretical. Vancouver's policy of valuing land at full capital value and improvements at only fifty per cent., thereby taxing buildings only half as much as sites, was adopted long before the Single Tax leaders had begun their campaign of education that to-day reaches around the world. And so satisfactory was this first experiment that when the further reduction of twenty-five per cent. was made so as to tax the capital value of improvements only one-quarter as much as that of sites, the opposition was so small as to be scarcely worth taking into account. The last step taken—the adoption of the Single Tax system in its entirety—has placed Vancouver in the unique position of being the only city of metropolitan size on the continent to elect a municipal government on a Single Tax platform. Edmonton is the only other Canadian city in which the system has been adopted without reservation. And there the same immediate effect has been felt."

(B) ALBERTA.*

In this Province the term "Town" refers only to such places as are incorporated as towns under a Town Act. It does not include Villages or Rural Municipalities. This year (1912) is the first of organization as Rural Municipalities. Fifty-two of these Municipalities have been established during the year, and

*On Alberta, in addition to references previously given, see "Single Tax Review," September-October, 1911.

will do business next year. These fifty-two Rural Municipalities will be required to levy their taxes on land values only. There are at the present time some seventy-four Villages. All these Villages are required to levy taxes according to land values only. There are at present some forty-six Towns; forty-four of these being required to levy taxes on land values only. This being a very new country, the number of Rural Municipalities, Villages and Towns is rapidly increasing.

In Alberta the provincial taxes are confined practically to taxes on corporations, railways, and inheritances. Several cities and many villages, under authority granted them, have for years exempted improvements or assessed them at a part of their value only. In 1912 the Province enacted three laws, practically without opposition, requiring the towns, with two exceptions, all rural municipalities, and all villages, to raise their local revenues exclusively from taxes assessed upon land according to its actual cash value.

The five cities in the Province have special charters which grant them wide discretion in taxation. Edmonton taxes land only; the other four are gradually changing their methods with a view to abolishing taxes on improvements within a few years. Edmonton, which in 1911 had a population of 27,000, has exempted improvements since 1904. It also controls all public utilities owning and operating water works, electric lighting and power plant, street railways, and a telephone system.

Strathcona began to exempt improvements in 1907. Lethbridge assesses improvements at twenty per cent of their value, and imposes a "super-assessment" of fifty per cent on vacant land. Calgary in 1912 reduced the assessment of buildings to twenty-five per cent of the actual value.

(C) SASKATCHEWAN.

In Saskatchewan cities and towns formerly assessed improvements at sixty per cent of their value. In 1911, however, a law was enacted which retained sixty per cent on the maximum percentage permissible, and then authorized cities and towns to reduce the assessment of buildings below this figure, by not more than fifteen per cent per annum. Villages are permitted to confine taxation to lands, exclusive of improvements, and about twenty of them have availed themselves of this opportunity.

(D) NEW ZEALAND.*

Since 1891 New Zealand has levied a separate tax on land values which in 1909 was at the rate of 1d. in the pound of the unimproved value. In addition to this ordinary tax on all land, from which only estates worth less than £500 are exempt, New Zealand also imposes a graduated tax on large estates. The purpose of this graduated tax, is to break up the large estates which obstructed the growth of the country.

*See the New Zealand number of the "Single Tax Review," September-October, 1912.

The tax begins with a rate of 1-16 of a penny in the pound for estates worth from £5,000 to £7,000, and increases to 4.8d. per pound, or 2 per cent upon estates valued at £200,000 or more. To a considerable extent this graduated tax has accomplished its purpose.

Prior to 1896 local taxes had been levied upon either the capital value or the income of real estate, as each locality might elect. The law of 1891 imposing a state tax on land values, exclusive of improvements, called attention to the desirability of permitting local governments to raise their taxes in a similar manner. Accordingly in 1896 local bodies were empowered to levy their rates on the unimproved value of land, if they so desired. By 1909 not less than 85 districts had adopted the method of taxing land values, and a British Parliamentary Report of 1906 showed that the result had been satisfactory at every point.* Concerning the working of this method the Commissioner of Taxes of New Zealand wrote in 1906: "The tendency of this system of taxation is not to increase rent, but, on the contrary, as the tax becomes heavier, it tends to bring into beneficial occupation land not put to its best use, and so reduces rents, the improvements being free from all rates and taxes."

(E) NEW SOUTH WALES.

New South Wales introduced a state tax on land values in 1895, and subsequently extended this method

*Papers Relative to the Taxation of the Unimproved Value of Land in New Zealand, New South Wales, and South Australia. Cd. 8191 (1906).

of taxation into local finance. Hon. T. A. Coughlin, Agent-General for New South Wales, wrote in 1909 concerning the working of the system: "Land owners have been wise enough to see that it is only the unproductive land that feels the burden of the tax, and there is a general agreement that the first effect of placing rates on land has been to force much hitherto unproductive land into use. Another direct effect is that the exemption of improvements from taxation has led to the expenditure of considerable sums in the adornment of buildings and the beautifying of the land.

. . . The people of New South Wales are well satisfied with the change that has taken place, and the holders of idle land do not complain, as they perceive that the remedy for a condition of which they may be tempted to complain lies in their own hands." It is not surprising, therefore, that in 1912 fifty-six out of the sixty-two municipal and shire councils imposed their local rates exclusively upon land values.

(F) SOUTH AUSTRALIA.

South Australia introduced a state tax on unimproved land values in 1884, at the uniform rate of $\frac{1}{2}$ d. in the pound. Ten years later an additional half penny was imposed on estates valued at more than £5000, and upon estates owned by absentees an additional tax was levied at the rate of one-fifth of the tax otherwise payable. Subsequent changes have somewhat increased the rates of these taxes:

More recently South Australia has authorized local governments to impose their taxes upon land values

exclusively. In 1911 six localities were voting upon land values, and others were discussing the adoption of this method of local taxation.

(G) OTHER AUSTRALIAN STATES.

Every state in Australia except Queensland now has in some form a state tax on land values. Queensland raises its local revenues wholly from taxes on land values; while Western Australia has made a beginning in this direction; and the subject is now under consideration in Victoria, the Ministry having introduced one bill to this end.

(H) THE COMMONWEALTH OF AUSTRALIA.

The latest important advance in Australia is the adoption by the federal government of a federal tax upon the land value of all estates having an unimproved value in excess of £5,000. The constitutionality of this act was assailed before the high court of Australia, but without success; and the first assessment has now been made. In spite of the high exemption and the difficulties of carrying out the valuation and assessment over the whole extent of Australia, the tax yielded in its first year nearly £1,400,000.

(I) KIAO-CHAU.*

The first of the recent German experiments in taxing the unearned increment, and the one which pointed the way for the others, was made in the model Ger-

*See article by Dr. W. Schrameler in "Single Tax Review," March-April, 1911.

man colony of Kiao-Chau which was established in 1897 in China. The land and tax ordinance of 1898 imposed a tax of 33 1-3 per cent of any increment of value accruing thereafter to private purchasers of lands acquired from the government. The purpose was to check land speculation, insure to settlers a reasonable price for land, and secure for the government part of any future increment due to the large expenditures made in establishing and developing the new colony. Provision was made for a land tax of 6 per cent on the value of land, exclusive of improvements, and a tax on land sales at auction. This ordinance suddenly and unexpectedly realized the German land reformers' program, in a German colony under the direct control of the imperial government. It naturally aroused great interest in Germany, and soon led to attempts to tax the unearned increment in various German cities.

(J) GERMAN CITIES.

The Prussian law of 1893, regulating local taxation, authorized local governments to introduce an important change in the taxation of land. Prior to that time land had been taxed upon its estimated yield, with the result that land held for speculative purposes was very lightly taxed. The law of 1893 authorized localities to change the basis of assessment to the capital value of the land, a change which has been made by several hundred local governments in the face of hostility of speculators and large land owners. The change has worked well in other respects, and has

materially increased the taxes paid by unimproved land.

The second step in the direction of heavier taxation of land values has been the introduction in many cities of special taxes on the unearned increment, modeled after the ordinance of Kiao-chau. Such experiments were found to be authorized by the Prussian law of 1893 regulating local taxation, and since 1904 several other States have taken action in this direction.

Among the cities Frankfort and Cologne took the lead, introducing increment taxes, respectively, in 1904 and 1905. Their example was rapidly followed by scores of other places, including most of the large cities, until by 1910 the increment tax was in operation in 457 cities and towns and was yielding a substantial revenue. The rates of taxation range from 1 per cent to 25 per cent of the amount of the increment.

(K) THE GERMAN EMPIRE.

In 1911, after two years of discussion, the German Empire introduced an imperial tax upon the unearned increment. This law imposes a progressive tax, increasing according to the percentage which the increment bears to the original value of the land. Then it takes 10 per cent of the increment when that amounts to 10 per cent of the original value, and increases 1 per cent for each additional 20 per cent of increment until it reaches 19 per cent on increments ranging from 170 per cent to 190 per cent. From that point it in-

creases 1 per cent for every additional 10 per cent of increment, until it reaches 30 per cent on all increments of 290 per cent and over. Certain deductions are granted, however, according to the period the land has remained in the hands of the owner; so that, for instance, if the increment were 290 per cent and the period of ownership had been ten years the tax would be reduced from 30 per cent to 27 per cent. If the period of ownership were twenty years the tax would be reduced to 24 per cent; and if it were thirty years, the tax would be 21 per cent.

The imperial tax is intended to unify the taxation of the unearned increment throughout the Empire and will replace the local increment taxes. To compensate the cities for the revenue thus lost, the law provides that 40 per cent of the product of the imperial increment tax shall be apportioned to the local governments; while the states are given 10 per cent, and the Empire retains 50 per cent. Authority is granted, however, to impose additional rates for local purposes; so that some measure of local option is retained.

(L) GREAT BRITAIN.

The now famous Lloyd-George Budget of 1909, which finally became a law in 1910, imposed four different taxes upon land, which marked a long step forward in the taxation of land values. The first, and most discussed, was the so-called increment value duty. This imposes a tax of 20 per cent upon land increment arising after 1909; which shall be payable by the owner when land is sold, leased for more than fourteen years,

or transferred at death. Land held by corporate bodies and not changing hands shall pay the tax every fifteen years. The tax amounts to 20 per cent of the increment that shall have accrued since 1909, or the last time that the tax shall have been paid. To carry the law into effect it was necessary, of course, to provide for a full valuation of all the land in Great Britain, in order to determine its value, exclusive of improvements, in the year 1909. This work, which is estimated to cost \$10,000,000 and to require five years, is now under way; and it will result in a monumental survey comparable to Domesday Book.

The second tax is the reversion duty, which imposes a tax of 10 per cent on the increment or benefit accruing to any lessor at the expiration of a lease. Agricultural land is exempt, and leases for twenty-one years or less are also excepted from the operation of the reversion duty. Reversions purchased before 1909 are exempt provided the lease expires within forty years from the date of purchase. Finally provision is made that reversion duty shall not be paid in respect of increment or benefit upon which increment value duty may have been paid.

The third tax is the undeveloped land duty which is payable annually by the owner of undeveloped land. Its rate is half-penny in each pound of the site value of such land, the value to be ascertained in 1909 and each fifth year thereafter; and proper allowance will be made for increments of value upon which increment duty may have been paid. Land is to be considered undeveloped if not built on or used for some business other than agriculture. Various exemptions

are granted, for instance, to land, the site value of which does not exceed £50 per acre, land kept free from buildings in pursuance of some definite plan of development, and parks, gardens, or open spaces to which the public has access.

The fourth tax is the mineral rights duty, which is levied annually at the rate of five per cent on money received by owners for the right to work minerals and for wayleaves. If the owner works the minerals himself, he is required to pay upon what he might have received in rents or royalties.

Since the land valuation has not yet been completed the financial importance of these new taxes cannot be determined. They are very important, however, in establishing a principle and in requiring a valuation of all the land of Great Britain. When the valuation is completed it is the intention of the tax reformers to move for a reform of local taxation, by which local rates shall be levied exclusively upon land values.





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